

DOCKET



SUPREME COURT

OF THE UNITED STATES

No. 11-982

Title Already, LLC, dba Yums, Petitioner

v.

Nike, Inc.

Docketed: February 10, 2012

Lower Ct: United States Court of Appeals for the Second Circuit

Case Nos.: (11-314-CV)

Decision Date: November 10, 2011

Questions Presented

~~~Date~~~ ~~~~~Proceedings and Orders~~~~~

Feb 8 2012 Petition for a writ of certiorari filed. (Response due March 12, 2012)

Mar 6 2012 Waiver of right of respondent Nike, Inc. to respond filed.

Mar 21 2012 DISTRIBUTED for Conference of April 13, 2012.

Apr 4 2012 Response Requested. (Due May 4, 2012)

Apr 17 2012 Order extending time to file response to petition to and including June 4, 2012.

Jun 4 2012 Brief of respondent Nike, Inc. in opposition filed.

Jun 5 2012 DISTRIBUTED for Conference of June 21, 2012.

Jun 8 2012 Reply of petitioner Already, LLC, dba Yums filed. (Distributed)

Jun 25 2012 Petition GRANTED.

Jul 23 2012 SET FOR ARGUMENT ON Wednesday, November 7, 2012

Jul 24 2012 The time to file the joint appendix and petitioner's brief on the merits is extended to and including August 16, 2012.

Aug 3 2012 The time to file respondent's brief on the merits is extended to and including September 24, 2012.

Aug 3 2012 Record received from U.S.C.A. for 2nd. This record is electronic.

Aug 16 2012 Joint appendix and supplemental joint appendix filed.

Aug 16 2012 Brief of petitioner Already, LLC d/b/a YUMS filed.

Aug 23 2012 Brief amicus curiae of United States supporting Vacatur and Remand filed.

Aug 23 2012 Brief amici curiae of Intellectual Property Professors filed. (Distributed)

Aug 23 2012 Brief amicus curiae of Public Patent Foundation filed. (Distributed)

Aug 23 2012 Brief amicus curiae of Intellectual Property Owners Association in support of neither party filed. (Distributed)

Aug 24 2012 CIRCULATED

Sep 11 2012 Consent to the filing of amicus curiae briefs in support of either party or neither party received from counsel for the respondent.

Sep 24 2012 Brief of respondent Nike, Inc. filed. (Distributed)

Sep 28 2012 Brief amicus curiae of American Intellectual Property Law Association filed. (Distributed)

Oct 1 2012 Brief amicus curiae of International Trademark Association filed. (Distributed)

Oct 1 2012 Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument filed.

Oct 1 2012 Brief amici curiae of Levi Strauss & Co., et al. filed. (Distributed)

Oct 15 2012 Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument GRANTED.

Oct 24 2012 Reply of petitioner Already, LLC d/b/a YUMS filed. (Distributed)

Nov 7 2012 Argued. For petitioner: James W. Dabney, New York, N. Y. For United States as amicus curiae: Ginger D. Anders, Assistant to the Solicitor General, Department of Justice Washington, D. C. For respondents: Thomas C. Goldstein, Washington, D. C.

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**PETITION  
FOR  
WRIT OF  
CERTIORARI**

11-082  
No. 11

Supreme Court of the United States  
FILED

FEB 8 - 2012

OFFICE OF THE CLERK

IN THE  
**Supreme Court of the United States**

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ALREADY, LLC d/b/a YUMS,

*Petitioner,*

*v.*

NIKE, INC.,

*Respondent.*

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ON PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

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**PETITION FOR A WRIT OF CERTIORARI**

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FEBRUARY 8, 2012

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### **QUESTION PRESENTED**

Whether a federal district court is divested of Article III jurisdiction over a party's challenge to the validity of a federally registered trademark if the registrant promises not to assert its mark against the party's then-existing commercial activities.

**RULE 29.6 STATEMENT**

Pursuant to this Court's Rule 29.6, petitioner states that it has no parent corporation and no publicly held company owns 10% or more of petitioner's stock.

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Already, LLC d/b/a YUMS hereby petitions for a writ of certiorari to review the judgment of the Court of Appeals for the Second Circuit in this action.

### **OPINIONS BELOW**

The opinion of the Court of Appeals is reported at 663 F.3d 89 and is reproduced in Appendix A. The opinion of the District Court is unreported and is reproduced in Appendix B.

### **JURISDICTION**

The Court of Appeals entered final judgment on November 10, 2011. No petition for rehearing was filed. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

The district court had subject matter jurisdiction to hear this action under at least 28 U.S.C. §§ 1331 and 1367(a). The Second Circuit had appellate jurisdiction under 28 U.S.C. § 1291.

### **CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED**

Article III of the U.S. Constitution provides in relevant part:

The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority . . . .

28 U.S.C. § 1331 provides:

The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.

28 U.S.C. § 1367(a) provides in part:

[I]n any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution.

15 U.S.C. § 1119 provides:

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

### STATEMENT OF THE CASE

This case presents a specific question concerning the scope of a federal court's Article III jurisdiction to hear challenges to the validity of federally registered trademarks. A clear circuit split has developed on the question; the question has practical importance for the enforcement and administration of intellectual property law; and, since it concerns the constitutional scope of Article III jurisdiction, the question cannot be resolved by legislation.

Federal trademark registrations are issued in the name of the United States of America, under the seal of the United States Patent and Trademark Office (the "PTO"), and constitute "prima facie evidence of the validity of the registered mark, . . . , the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce . . . ." 15 U.S.C. § 1115(a). *Cf. Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011) (construing corresponding provision of Patent Act, 35 U.S.C. § 282, which provides that claimed inventions disclosed in issued patents are "presumed valid.").

When a person is accused of infringing a federally registered trademark, the accused infringer may ask a federal court to award judgment declaring that the asserted mark is invalid and ordering cancellation of the mark's registration. 15 U.S.C. § 1119 provides that "[i]n any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in

part, . . . and otherwise rectify the register with respect to the registrations of any party to the action."

When the validity of a federally registered trademark is challenged in a federal court action, the registrant may have a strong motivation to try and prevent the court from reaching the merits of the validity issue. This motivation may be especially strong where a claimed trademark is a product configuration whose eligibility for trademark protection is highly suspect. *Cf. Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237-38 (1964) (configuration of lighting fixture held ineligible for trademark protection notwithstanding that configuration was found to have "secondary meaning" and was "nonfunctional").

One strategy for attempting to prevent a federal court from reaching the merits of an invalidity challenge is (i) to promise not to assert a registered trademark against any of the challenger's existing activities; and then (ii) to argue that, because the trademark owner has voluntarily waived all then-existing infringement claims against the challenger, the court has been divested of Article III jurisdiction.

If that strategy is successful in preventing the federal court from deciding the validity issue, the trademark owner maintains its registration and can continue to assert it in the future both against other potential parties (who may lack the resources to mount a federal court challenge to the mark's validity) and against the future activities of the challenger (who might again have to justify the expense of mounting a challenge to the trademark, with the possibility that the trademark registrant might once again deprive the federal court of jurisdiction by agreeing to refrain from asserting the trademark in the immediate circumstances).

The success of this possible strategy hinges on the question whether a federal district court is divested of Article III jurisdiction to hear an accused infringer's claim challenging the validity of an asserted federally registered trademark if, following the commencement of an action involving the asserted trademark, the registrant elects to waive its existing claims and provides a covenant not to assert the registered trademark against then-existing activities of the accused infringer. The Ninth Circuit and the Second Circuit (in the de-

cision below) have offered divergent answers to this question.

In *Bancroft & Masters, Inc. v. Augusta National Inc.*, 223 F.3d 1082 (9th Cir. 2000), the Ninth Circuit held that a promise not to assert a registered trademark against an accused infringer's existing activities did not divest the district court of Article III jurisdiction to hear the accused infringer's claim challenging the validity of the asserted mark. In reaching this conclusion, the Ninth Circuit applied this Court's standard for determining postcommencement mootness, namely, whether the registrant had made an "absolutely clear" showing that it would "never renew its allegedly wrongful behavior." *Id.* at 1085 (citation omitted). This stringent standard was not met, the Ninth Circuit held, because the registrant's promise in *Bancroft* did not eliminate all risk that the registered mark might be asserted against the challenger in the future and so was "incomplete and qualified." *Id.* Further, with regard to the accused infringer's separate claim for cancellation relief, the Ninth Circuit held that "even if [the registrant's] promise had been unqualified, it would not have mooted [the challenger's] separate request for cancellation" since the "trademark cancellation count [wa]s separate from the declaratory judgment count in the complaint and d[id] not appear to be obviously meritless." *Id.*

In the decision below, the Second Circuit stated that it found the Ninth Circuit's reasoning in *Bancroft* "unpersuasive." Pet. App. 19a. The Second Circuit expressly rejected the Ninth Circuit's conclusion that a federal court can hear a claim seeking cancellation of a federal trademark registration even if the registrant makes an "unqualified promise" not to assert the registered trademark against the challenger. *Id.* The Second Circuit also rejected the Ninth Circuit's test that, to render moot a pending claim challenging the validity of a federal trademark registration, the registrant must make an "absolutely clear" showing that "it will never renew its allegedly wrongful behavior." *Id.* (emphasis added). To the contrary, the Second Circuit expressly recognized that respondent here was reserving its rights to sue petitioner in the future. *Id.* at 15a n.5.

The jurisdiction of federal courts to hear claims challenging the validity of federal intellectual property rights is a matter of public importance. This Court has repeatedly noted “the strong federal policy favoring the full and free use of ideas in the public domain,” *Lear, Inc. v. Adkins*, 395 U.S. 653, 674 (1969), and has disapproved doctrines that restricted litigants’ ability to raise invalidity challenges to intellectual property rights in federal court. See, e.g., *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 132 n.11 (2007) (overturning doctrine that federal court lacked jurisdiction to hear invalidity challenge if challenger was not in “reasonable apprehension of suit” for alleged infringement); *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 100-101 (1993) (overturning doctrine that validity challenge was rendered “moot” by affirmance of judgment of non-infringement); *Lear*, 395 U.S. at 670-71 (overturning doctrine that licensee was estopped from challenging validity of licensed patent); *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 256-58 (1945) (overturning doctrine that assignor was estopped from challenging validity of assigned patent).

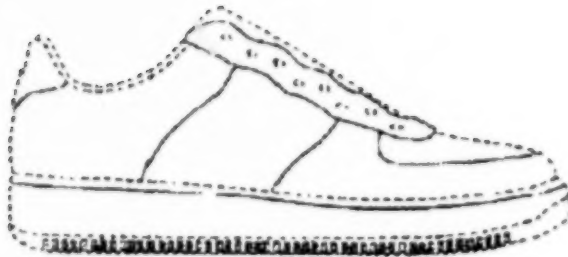
The jurisdictional rule applied below severely weakens the authority of federal courts to police statutory limits on what can and cannot rightly be the subject of perpetual “trademark” protection. Cf. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 37 (2003) (rejecting interpretation of trademark law that would create “a species of perpetual patent”). To the extent that the owner of a federal trademark registration can unilaterally divest a federal court of jurisdiction to hear a challenge to the registration’s validity, the registration can remain on the PTO principal register as a “scarecrow.” *Cardinal Chemical*, 508 U.S. at 96 (quoting *Bresnick v. United States Vitamin Corp.*, 139 F.2d 239, 242 (2d Cir. 1943) (L. Hand, J.)).

This case well illustrates the soundness of the “absolutely clear” standard that the Ninth Circuit applied in *Bancroft* (which standard is grounded in this Court’s post-commencement mootness precedents), and the unsoundness of the conflicting reasoning that the Second Circuit applied to dismiss petitioner’s challenge to the validity of the registration that respondent asserted in this case.

### A. Respondent's Suit Against Petitioner

In 2009, respondent sued petitioner for alleged infringement and dilution of the purported "trademark" set forth below:

#### Asserted "Trademark"



The YUMS-branded shoes produced by petitioner, whose sale was alleged to infringe or dilute the respondent's registered trademark, embodied the design depicted below:

#### Accused Shoe



FIG. 3

Respondent alleged that by selling YUMS-branded shoes embodying the design depicted above, petitioner allegedly infringed or diluted the so-called “trademark” depicted at top. In support of its claim, respondent cited and relied on certificate of registration No. 3,451,905 (the “’905 Registration”).

Petitioner served an answer to respondent’s complaint, denied infringement, and asserted a compulsory counterclaim for cancelation of the ‘905 Registration. Petitioner’s counterclaim alleged in part:

47. The purported “mark” depicted and described in the ‘905 Registration is not, in fact, a “trademark” within the meaning of 15 U.S.C. § 1127.

48. The purported “mark” depicted and described in the ‘905 Registration is not a “symbol” or a “device” used “on” or “in connection with” “goods” within the meaning of 15 U.S.C. § 1125(a)(1), but rather consists of integral features of “goods” sold by plaintiff.

In December 2009, respondent served an answer to petitioner’s counterclaim. Respondent denied petitioner’s allegations challenging the validity of the ‘905 Registration, but admitted that there was, at the time of its answer, an “actual controversy” between the parties concerning whether the PTO acted unlawfully in issuing the ‘905 Registration.

#### **B. Respondent Reverses Field and Seeks to Destroy the District Court’s Jurisdiction**

In mid-March 2010, respondent abruptly delivered a document styled “Covenant Not to Sue.” In this “covenant,” respondent undertook to “refrain” from asserting the ‘905 Registration against “any of Already’s *current* and/or *previous* footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant” (emphasis added).

Immediately following delivery of the above-described “covenant,” respondent moved the district court for an order (i) dismissing respondent’s own complaint against petitioner with prejudice, and (ii) dismissing petitioner’s compulsory

counterclaim for alleged lack of subject matter jurisdiction. Respondent asserted that by waiving and voluntarily dismissing its own claims, respondent had divested the district court of subject matter jurisdiction to hear petitioner's compulsory counterclaim challenging the validity of the '905 Registration and seeking its court-ordered cancellation.

In its response to respondent's motion, petitioner agreed that respondent's (meritless) claims in this action should be dismissed with prejudice, but petitioner contended that the dismissal of respondent's claims had no effect on the court's jurisdiction to hear petitioner's compulsory counterclaim.

### C. The District Court's Decision

In January 2011, the district court dismissed respondent's complaint with prejudice, thereby adjudicating and extinguishing all of the claims that respondent had asserted against petitioner in this action.<sup>1</sup> The district court also held that respondent's "covenant not to sue" had "stripped" the court of its "ability to order cancellation of a registered trademark pursuant to Section 1119." Pet. App. 35a-36a.

Rather than ask whether *respondent* had carried "the formidable burden of showing that it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur," *Friends of the Earth, Inc v. Laidlaw Envtl. Servs. (TOC) Inc.*, 528 U.S. 167, 190 (2000), the district court analyzed the jurisdictional issue in terms of whether *petitioner*, immediately following delivery of respondent's "covenant not to sue," had carried a burden of demonstrating that it was still then exposed to a non-frivolous claim for alleged infringement such that the invalidity of the '905 Registration could be raised as a *defense* to such claim. The dis-

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<sup>1</sup> "A dismissal with prejudice has the effect of a final adjudication on the merits favorable to defendant and bars future suits brought by plaintiff upon the same cause of action." *Samuels v. Northern Telecom, Inc.*, 942 F.2d 834, 836 (1991) (quoting *Nemaizer v. Baker*, 793 F.2d 58, 60 (2d Cir. 1986)).

trict court acknowledged that its analysis of the jurisdictional issue was contrary to that which the Ninth Circuit applied in *Bancroft*. See Pet. App. 36a (“some courts in other districts have agreed with Defendant’s argument”) (citing *Bancroft*).

In dictum, the district court suggested that respondent’s “covenant” would not prevent petitioner from instituting an administrative “cancellation” proceeding in the PTO. The district court acknowledged that “some inefficiency results from requiring Defendant to now institute an administrative proceeding before the Patent and Trademark Office in order to seek cancellation of the ‘905 Registration.” Pet. App. 37a. But the court considered that it had no choice in the matter because the constitutional terms, “Cases” and “Controversies,” U.S. Const. art. III, § 2, were thought by the district court not to include a civil action in which the only pending claim was a compulsory counterclaim challenging the lawfulness of a PTO registration decision. Pet. App. 38a

#### **D. The Second Circuit’s Decision**

Petitioner timely appealed the dismissal of its compulsory counterclaim to the Second Circuit. Petitioner argued that its statutory right to seek cancellation of the ‘905 Registration under 15 U.S.C. § 1119 was independent of petitioner’s right to raise invalidity as a defense to respondent’s infringement claims; that the jurisdictional standard was the “absolutely clear” standard that this Court stated and applied in *Friends of the Earth*, 528 U.S. at 190; and that respondent had not met this standard, just as the registrant in *Bancroft* had not. Petitioner further argued that there was no principled difference between its position in this case and the position of the counterclaimant in *Cardinal Chemical*, wherein this Court held that a judgment of non-infringement did not divest a federal court of jurisdiction to hear a counterclaim for judgment declaring that the non-infringed patent was invalid. 508 U.S. at 96, 99-103.

The Second Circuit stated that *Cardinal Chemical* was “inapposite” to this case because it concerned the jurisdiction of “an intermediate appellate court, not a trial court.” Pet. App. 16a (quoting *Giese v. Pierce Chem. Co.*, 43 F. Supp. 2d 98, 112 n.14 (D. Mass. 1999)). The court further stated: “The Supreme Court’s decision in *Cardinal Chemical* is limited to

the specific facts of that case.” *Id.* (quoting *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 78 F.3d 540, 546 (Fed. Cir. 1996)). Like the district court, the Second Circuit did not ask whether *respondent* had demonstrated that its voluntary action met the stringent standard for establishing “postcommencement mootness,” *Friends of the Earth*, 528 U.S. at 174, but rather asked whether *petitioner* had demonstrated that, immediately following delivery of respondent’s “covenant not to sue,” there then remained any actual or threatened claim which the invalidity of the ‘905 Registration could be raised as a *defense*.

In a similar vein, the Second Circuit stated that “Section 1119 . . . creates a *remedy* for *trademark infringement*,” Pet. App. 18a (emphasis added); and from this clearly erroneous premise (which neither side advocated below),<sup>2</sup> the court held that “a claim for trademark cancellation under § 1119 is insufficient to support federal jurisdiction where a covenant not to sue has *resolved* the underlying *infringement* action.” Pet. App. 19a (emphasis added). The court did not analyze whether 28 U.S.C. § 1367(a) supported petitioner’s compulsory counterclaim for cancellation relief.

Like the district court, the Second Circuit recognized that its holding was contrary to the Ninth Circuit’s *Bancroft* decision. The Second Circuit stated: “the Ninth Circuit in *Bancroft* failed to consider the language in § 1119 that renders that section remedial, not jurisdictional. Accordingly, we find its opinion unpersuasive.” Pet. App. 19a. In fact, the *Bancroft* opinion does not characterize § 1119 as “jurisdictional” (which it is not), but rather holds – correctly – that in order for a waiver of claims to render moot a pending chal-

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<sup>2</sup> Section 37 of the Lanham Act vests district courts with authority to “rectify the register” maintained by the PTO, not to remedy “infringement.” The unlawful registration of trademark-ineligible subject matter is not an act of “infringement,” and cancellation of such a registration is not a “remedy” for “infringement.”

lenge to the previously-asserted claims' validity, the party asserting mootness must show that it is "absolutely clear" that the allegedly wrongful conduct (the assertion of an allegedly invalid federally registered trademark) will never be renewed. 223 F.3d at 1085. That is to say, whether a post-suit covenant not to sue renders a case moot is governed by the stringent standard for establishing postcommencement mootness. *Friends of the Earth*, 528 U.S. at 190.

The decision below purports to follow this Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), but clearly misapprehends the *MedImmune* decision. In *MedImmune*, this Court disapproved what was then called "the Federal Circuit's 'reasonable apprehension of suit' test." *Id.* at 132 n.11. Yet it was this very "test" that gave birth to the evasive maneuver that respondent utilized in this case: a post-suit "covenant" that eliminates "apprehension" of suit for alleged infringement and thus, supposedly, ousts a federal court of supplemental jurisdiction to hear a compulsory counterclaim for a declaratory judgment of invalidity. *See Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058 (Fed. Cir. 1995).

Shortly following this Court's *MedImmune* decision, the continued viability of the *Super Sack* rule in the patent context was openly questioned by Federal Circuit Judge Dyk. *See Benitec Australia, Ltd. v. Nucleonics, Inc.*, 497 F.3d 1340, 1350-55 (Fed. Cir. 2007) (Dyk, J., dissenting). Judge Dyk wrote: (i) "[t]here is a strong public interest in permitting accused infringers to challenge invalid or unenforceable patents," *id.* at 1350; (ii) under this Court's precedents, "once declaratory jurisdiction has been established, the burden shifts to the party seeking to divest the court of jurisdiction to prove that there is no longer a current case or controversy," *id.* at 1352; and (iii) "[i]t is particularly inappropriate to place the burden of establishing continuing jurisdiction on declaratory plaintiffs where, as here, the claim of mootness is the result of the opposing party's acts designed, at least in part, to defeat declaratory jurisdiction." *Id.* at 1353. Judge Dyk concluded that the stringent postcommencement mootness standard – the standard that the Ninth Circuit applied in *Bancroft* – controlled whether a federal court could proceed to

decide a validity challenge following receipt of a covenant not to sue. *Id.* at 1353-54.

As the present case illustrates, however, the *Benitec* majority opinion has led to the continued and widespread use of “covenants” to evade adjudication of challenges to asserted patents and registered trademarks. That rule stands in clear conflict with the Ninth Circuit’s *Bancroft* decision, is recurring and persistent, and warrants review by this Court.

### REASONS FOR GRANTING THE PETITION

The Court should grant certiorari in this case for several reasons.

First, there is an acknowledged circuit split. The Ninth Circuit and the Second Circuit have both addressed the question presented by this Petition and have provided directly conflicting answers. In the Ninth Circuit, a registrant’s delivery of a covenant not to sue is, without more, insufficient to divest a district court of jurisdiction to hear a pending claim challenging the validity of an asserted federally registered trademark. In the Second Circuit, precisely the opposite is true.

Second, the legal standard applied below conflicts with multiple precedents of this Court construing federal court jurisdiction. A federal court’s jurisdiction to hear a compulsory counterclaim has never depended on the fate of a plaintiff’s claims establishing original jurisdiction. And in *Cardinal Chemical*, this Court specifically held that the failure of a plaintiff’s infringement claim *did not* divest a federal court of jurisdiction to hear a counterclaim challenging the validity of an asserted intellectual property right.

Third, the legal standard applied below subverts “the strong federal policy favoring the full and free use of ideas in the public domain,” *Lear*, 395 U.S. at 674, and enables entities to protect “scarecrow” intellectual property rights, *Cardinal Chemical*, 508 U.S. at 96, from federal court validity challenges. The unlawful registration of trademark-ineligible subject matter has enormous potential to inhibit or suppress lawful competition. The Lanham Act assigns federal courts an important role in the enforcement of statutory conditions for trademark registrability, both in the context of direct re-

view of PTO registration decisions under 15 U.S.C. § 1071 and in the context of entertaining validity challenges to such decisions pursuant to the cancellation right provided under 15 U.S.C. § 1119.

Fourth, while this Article III jurisdictional issue arises in both the patent and trademark contexts and is generally important to the system of presumptively valid intellectual property rights administered by the PTO, this case—a trademark case—is the appropriate vehicle for resolving the issue because the issue is cleanly presented and the circuit split has arisen in the trademark context. While the jurisdictional issue has also divided the judges of the Federal Circuit, with a strong dissenting opinion by Judge Dyk, the issue cannot generate a circuit split in the patent area because of the exclusive jurisdiction of the Federal Circuit.

## **I. THERE IS AN ACKNOWLEDGED CIRCUIT SPLIT**

As set forth above, the decision below openly disagrees with the Ninth Circuit's *Bancroft* decision and "find[s] its opinion unpersuasive." Pet. App. 19a. The decision below takes a decidedly narrower view of federal court jurisdiction to hear claims challenging the validity of federal trademark registrations than the Ninth Circuit took in *Bancroft*. That clear circuit split warrants review and resolution by this Court.

The decision below and the Ninth Circuit's *Bancroft* decision apply conflicting and very different legal standards. In *Bancroft*, the sponsor of the well-known MASTERS golf tournament, August National Inc. ("ANI"), accused a California company named Bancroft & Masters, Inc. ("B&M") of having engaged in trademark infringement, dilution, and unfair competition by using MASTERS.COM as an Internet domain name. B&M then sued ANI in California for (i) a declaratory judgment of non-liability and (ii) for cancellation of certain federal registrations that ANI had procured.

In an attempt to extricate itself from the California lawsuit by destroying federal court jurisdiction to hear B&M's claim, ANI "offered to waive all trademark infringement, di-

lution, and unfair competition claims against B&M, so long as B&M stays out of the golf business.” 223 F.3d at 1085. The question raised to the Ninth Circuit was whether this waiver of claims by ANI rendered moot and divested the court of subject matter jurisdiction to hear B&M’s claims. The Ninth Circuit answered this question “no,” based on its application of this Court’s stringent standard for postcommencement mootness.

To the extent that there is any factual distinction to be drawn between the present case and *Bancroft*, the case for federal court jurisdiction here is stronger, not weaker, than was the case for jurisdiction in *Bancroft*. The respondent’s covenant in this case was limited to products that petitioner had made or sold prior to March 19, 2010. By contrast, the promise given in *Bancroft* extended to the accused infringer itself and extended for “so long as B&M stays out of the golf business.” 223 F.3d at 1085. The promise given in *Bancroft* was broader, not narrower, than the promise that was given in this case.

Consistently with the dissenting opinion of Judge Dyk in *Benitec*, the Ninth Circuit in *Bancroft* analyzed the jurisdictional effect of a post-suit covenant not to sue by reference to the standard for determining postcommencement mootness articulated in such precedents as *Friends of the Earth*, 528 U.S. at 190. Where, as here, a party contends that its own post-suit voluntary acts render an opposing party’s claim moot, the party claiming mootness is rightly assigned the stringent burden of demonstrating that it is “absolutely clear” that the challenged unlawful action will never again recur or harm the challenger. 223 F.3d at 1085.

In sharp contrast, the decision below analyzes the jurisdictional effect of a post-suit covenant not to sue by reference to whether the party challenging the validity of an asserted registration can point to some actual or threatened claim for alleged infringement to which invalidity could be pleaded as a defense. As the present case amply demonstrates, such a test of Article III jurisdiction enables a trademark registrant to threaten to bring, or as here to bring, infringement suits that inflict heavy costs on a rival business that must prepare for trial and then, if unexpected resistance is encountered,

deliver a “covenant not to sue” and evade any prompt or cost-effective test of the validity of the asserted registration.

## **II. THE DECISION BELOW CONFLICTS WITH MULTIPLE PRECEDENTS OF THIS COURT CONSTRUING AND APPLYING FEDERAL COURT JURISDICTION**

28 U.S.C. § 1331 vests federal courts with “original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.” Whether a civil action is one “arising under” federal law depends on what is stated on the face of a plaintiff’s well-pleaded complaint. *See, e.g., Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 830 (2002). Here it is undisputed that respondent’s complaint invoked the original jurisdiction conferred by at least 28 U.S.C. § 1331.

28 U.S.C. § 1367(a) provides, with exceptions not relevant here, that “in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution.” It is undisputed that petitioner’s compulsory counterclaim for cancellation of the respondent’s trademark registration under 15 U.S.C. § 1119 fell within the supplemental jurisdiction conferred by 28 U.S.C. § 1367(a) at the time of its assertion.

In holding that respondent’s abandonment of its own claims divested the district court of jurisdiction to hear petitioner’s compulsory counterclaim, the decision below conflicts with long-standing contrary precedent. In *Moore v. New York Cotton Exchange*, 270 U.S. 593, 607-610 (1926), a plaintiff’s federal antitrust complaint was dismissed, but this fact was held irrelevant to the court’s continuing jurisdiction to hear the defendant’s state law compulsory counterclaim:

A complaint setting forth a substantial claim under a federal statute presents a case within the jurisdiction of the court as a federal court; and this jurisdiction cannot be made to stand or fall upon the way the court may chance to decide an issue as to the legal sufficiency of the facts alleged any more than upon

the way it may decide as to the legal sufficiency of the facts proven.

*Moore*, 270 U.S. at 608 (quoting *Binderup v. Pathe Exch., Inc.*, 263 U.S. 291, 305 (1923)).

Under *Moore* and 28 U.S.C. § 1367(a), respondent's waiver or dismissal of its claims against petitioner was irrelevant to the district court's jurisdiction to hear petitioner's compulsory counterclaim. The district court's jurisdiction to hear petitioner of compulsory counterclaim was furnished by 28 U.S.C. § 1367(a). Nothing in the text of the Lanham Act, and certainly nothing in 15 U.S.C. § 1119, purports to divest federal courts of supplemental jurisdiction that 28 U.S.C. § 1367(a) confers.

To the contrary, § 1119 makes federal court judgments *binding* on the Director of the PTO even though he is not a party to an action between a registrant and a challenger. In this respect, § 1119 is similar in operation to 15 U.S.C. § 1071(b)(2), which provides that in district court actions seeking direct review of PTO agency actions in "inter partes" cases, the Director of the PTO "shall not be made a party." *Id.* A statute that *extends* the effect of federal court judgment is not sensibly interpreted as *divesting* federal courts of subject matter jurisdiction that 28 U.S.C. § 1367(a) otherwise confers.

Federal courts have long held and exercised jurisdiction to review PTO decisions to refuse cancellation of issued registrations under 15 U.S.C. § 1071(b), *even without proof* that the party challenging the trademark registration was currently under threat of being sued for trademark infringement. *See, e.g., Aktieselskabet AF 21 v. Fame Jeans Inc.*, 525 F.3d 8, 13-14 (D.C. Cir. 2008) (adjudicating a challenge to a trademark registration without any demonstration that the challenger was subject to any currently existing claim of infringement). Such review would be constitutionally impossible if a federal court's Article III jurisdiction to hear a claim for cancellation relief was dependent on the existence of a pending non-frivolous claim for alleged infringement against the challenger.

The present case well illustrates the importance of upholding traditional principles of federal court jurisdiction as

applied to a challenge to an allegedly invalid trademark registration. The alleged "trademark" depicted in the '905 Registration is "in the public domain" under patent law and as such "can be copied in every detail by whoever pleases." *Compco*, 376 U.S. at 238. The PTO's issuance of the '905 Registration was in direct opposition to this Court's patent precedents and "the strong federal policy favoring the full and free use of ideas in the public domain," *Lear*, 395 U.S. at 674. The '905 Registration purports to impose a direct restraint on the conduct of petitioner's athletic footwear business. Yet according to the decision below, respondent is able to evade judicial review of the validity of the purported "trademark" depicted in the '905 Registration and maintain that registration for possible use against future lines of petitioner's products, because respondent's delivery of a "covenant not to sue" supposedly ousted the district court of Article III jurisdiction to hear petitioner's compulsory counterclaim for cancellation of the asserted registration.

Thus, under the decision below, the respondent may continue to assert its '905 Registration against competitors, charging them with infringement with each new line of shoes they produce. Yet after the competitor has been put through the expense of preparing its defenses to a trademark infringement suit and preparing its compulsory counterclaim for trademark cancellation, the trademark owner can unilaterally "pull the plug" on the entire litigation, maintaining the presumptively valid "scarecrow" intellectual property right to assert anew *ad infinitum*. (Unlike patents, trademarks have no term limit.)

Under this Court's precedents, a plaintiff's strategic abandonment of its claims has never been recognized as a basis for extinguishing either original jurisdiction under 28 U.S.C. § 1331 or supplemental jurisdiction under 28 U.S.C. § 1367(a). To the contrary, in *Cardinal Chemical*, the Court held that the *failure* of an infringement plaintiff's claims *did not* operate to render moot a compulsory counterclaim for a declaratory judgment of invalidity.

### III. THE ISSUE IS IMPORTANT AND MERITS THIS COURT'S ATTENTION

#### A. The Use of "Covenants" to Thwart Invalidity Challenges Is Widespread and Recurring

Strategic use of "covenants" to shut off invalidity challenges in federal court is a recurring and widespread problem.<sup>3</sup> The practice dates back to the 1995 *Super Sack* decision in the Federal Circuit and has persisted despite the disapproval, in *MedImmune*, of the "reasonable apprehension of suit" standard that gave birth to the practice, and despite the

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<sup>3</sup> See, e.g., *Dow Jones & Co. v. Abblaise Ltd.*, 606 F.3d 1338, 1345 – 49 (Fed. Cir. 2010) (covenant not to sue held to divest district court of Article III jurisdiction to hear validity challenge); *Frontline Technologies, Inc. v. CRS, Inc.*, No. 07–2457, 2011 WL 6747460 (E.D. Pa. 2011) (same); *American Technology Inc. v. Velocity Micro, Inc.*, No. 6:11-cv-109 (M.D. Fla. June 28, 2011) (same); *Tequila Cuervo La Rojena, S.A. de C.V. v. Jim Beam Brands Co.*, No. 1:10-cv-00203 (S.D.N.Y. Feb. 8, 2011), slip op. at 5 (same); *Barco N.V. v. Tech. Props. Ltd.*, No. 08-5398, 2010 WL 604673, at \*2 (N.D. Cal. 2010) (same); *International Automated Systems, Inc. v. IBM*, 595 F. Supp. 2d 1197 (D. Utah 2009) (same); *Dodge-Regupol, Inc. v. RB Rubber Prods., Inc.*, 585 F. Supp. 2d 645, 649–55 (M.D. Pa. 2008) (same); *Global DNS, LLC v. Kook's Custom Headers, Inc.*, No. C08-0268 RSL, 2008 WL 4380439, at \*3 – 4 (W.D. Wash. Sep. 22, 2008) (same); *Crossbow Tech., Inc. v. YH Tech.*, 531 F. Supp. 2d 1117, 1122 – 24 (N.D. Cal. 2007) (same); *Furminator, Inc. v. Ontel Prods. Corp.*, 246 F.R.D. 579, 590 – 92 (E.D. Mo. 2007) (same); *SGS Tools Co. v. Step Tools Unlimited, Inc.*, No. 5:04CV1315, 2006 WL 2849771 (N.D. Ohio 2006) (same); *Ciber, Inc v. Ciber Consulting, Inc.*, 326 F. Supp. 2d 886, 887 – 93 (N.D. Ill. 2004) (same); *Arista Techs., Inc. v. Arthur D. Little Enters., Inc.*, 125 F. Supp. 2d 641, 655 (E.D.N.Y. 2000) (same).

criticism of the practice in Judge Dyk's dissenting opinion in *Benitec*, 497 F.3d at 1550.

The importance of the issue is magnified by its procedural nature. Often, an accused infringer will not have the financial ability or incentive to litigate the issue past the district court stage. The great majority of the "covenant" decisions are patent cases that are subject to the Federal Circuit's exclusive appellate jurisdiction and case law precedent such as the *Benitec* majority opinion. Cases subject to a single court of appeals would not be expected to diverge from its doctrine. But the same is not true of trademark cases. Because regional circuits continue to have appellate jurisdiction in trademark cases, instability and circuit splits are still possible in the trademark field as has occurred here. This case provides an appropriate vehicle for resolving the issue.

Furthermore, the two circuits involved in the split here—the Second and the Ninth—are *the* leading trademark circuits in the country. Indeed, one recent empirical study of trademark cases demonstrated that district court trademark decisions in those two circuits account for nearly half of all trademark litigation in the country. See Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 Cal. L. Rev. 1581, 1596 (2006) (Table 2) (reporting that, out of a sample of 331 district court trademark cases decided between 2000-2004, the Second and Ninth Circuits accounted for the most and second most, respectively, trademark cases per circuit and that together the two circuits accounted for 48.3% of all trademark cases in the national sample).

The question presented by the petition here involves the same type of Article III jurisdictional limitation that the Court considered in *MedImmune* and *Cardinal Chemical*. The Court in this case has the opportunity to make an incremental development in its case law construing federal court jurisdiction in the context of PTO grant decisions.

#### **B. The Rule Applied Below Subverts Strong Public Interests in Permitting Validity Challenges**

The unlawful registration of trademark-eligible subject matter is deemed, by statute, to constitute an invasion of the

legal rights of "any person who believes that he is or will be damaged . . . by the registration." 15 U.S.C. § 1064. This broad definition of statutory injury reflects both (i) the inherent potential of invalid trademark registrations to cause competitive harm, and (ii) "the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain." *Lear*, 395 U.S. at 670. "Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all – and in the free exercise of which the consuming public is deeply interested." *Sears, Roebuck & Co. v. Stiffel Co.* 376 U.S. 225, 231 (1964) (quoting *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 122 (1938)). See also *Compco*, 376 U.S. 234.

The alleged "trademark" at issue is a shoe configuration that entered the public domain nearly 30 years ago. Whether that shoe configuration can rightly be deemed a "trademark," and as such protected against imitation in perpetuity, is a question in which "the consuming public is deeply interested," *Sears*, 376 U.S. at 231 (quoting *Kellogg*, 305 U.S. at 122), and that Article III of the Constitution permits a federal court to answer.

### CONCLUSION

For the reasons set forth above, this Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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## **APPENDIX**

**APPENDIX A — OPINION OF THE UNITED  
STATES COURT OF APPEALS FOR THE SECOND  
CIRCUIT, DECIDED NOVEMBER 10, 2011**

**UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT**

August Term, 2010  
June 20, 2011, Argued  
November 10, 2011, Decided

Docket No. 11-314-cv

NIKE, INC.,

*Plaintiff-Counter-Defendant-Appellee,*

v.

ALREADY, LLC d/b/a YUMS,

*Defendant-Counter-Claimant-Appellant.*

LOHIER, *Circuit Judge:*

This appeal requires us to decide whether a trademark registrant's delivery of a covenant not to sue, and voluntary dismissal of its trademark claims, divests a federal court of subject matter jurisdiction over a defendant's counterclaims for a declaratory judgment and cancellation of the trademark's registration. After considering the breadth of the plaintiff's covenant not to sue and the improbability of future infringement, the United States District Court for the Southern District of New

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York (Richard J. Sullivan, *J.*) dismissed the defendant's counterclaims because no case or controversy existed under Article III of the United States Constitution. We affirm.

**BACKGROUND****1. The Complaint and Counterclaims**

In July 2009, plaintiff Nike, Inc. filed a complaint against defendant Already, LLC d/b/a Yums ("Yums"), alleging trademark infringement, false designation of origin, unfair competition, and trademark dilution in violation of 15 U.S.C. §§ 1114(1), 1125(a), and 1125(c), and related claims under New York common law and New York General Business Law § 360. According to the complaint, in 1982, Nike designed a shoe called the Air Force 1, which it has since produced in more than 1,700 color combinations, selling millions of pairs each year. The complaint alleged that the Air Force 1 shoe has a distinctive appearance for which Nike owns several federal trademark registrations, including U.S. Trademark Registration Number 3,451,905, registered with the United States Patent and Trademark Office on June 24, 2008 (hereinafter the "'905 Registration"), for "the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on the top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other." Compl. ¶ 11 (quoting the '905 Registration). It

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further alleged that Yums was selling “footwear bearing a confusingly similar imitation” of the Air Force 1 shoe, including shoes known as Sugar and Soulja Boy. *Id.* at ¶¶ 14-15.

In November 2009, Yums filed counterclaims for a declaratory judgment that the ‘905 Registration was not in fact a “trademark” under 15 U.S.C. § 1127 or New York law, and for cancellation of the ‘905 Registration pursuant to the cancellation provisions of the Lanham Act, 15 U.S.C. § 1119. Yums also alleged that an “actual controversy” existed regarding whether Yums had infringed any rights Nike had in the purported trademark.

## 2. The Covenant Not To Sue

In March 2010, Nike delivered a “Covenant Not to Sue” (the “Covenant”) to Yums. The Covenant’s preamble stated as follows:

NIKE has recently learned that [Yums]’s actions complained of in the Complaint no longer infringe or dilute the NIKE Mark at a level sufficient to warrant the substantial time and expense of continued litigation and NIKE wishes to conserve resources relating to its enforcement of the NIKE Mark.

The Covenant obligated Nike as follows:

to refrain from making any claim(s) or demand(s), or from commencing, causing, or

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permitting to be prosecuted any action in law or equity, against [Yums] or any of its [successors or related entities and their customers], on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law in the United Sates [sic] relating to the NIKE Mark based on the appearance of any of [Yums]'s current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant.

### **3. The District Court Proceedings and Decision**

In April 2010, a month after Nike delivered the Covenant, the District Court held a hearing to determine whether the Covenant divested it of subject matter jurisdiction over Yums's counterclaims. Although Nike conceded during the hearing that it would be bound by the Covenant even if Yums became a competitive threat, Yums argued that a case or controversy persisted because Nike's litigation -- and the '905 Registration itself -- constituted a "continuing libel" against Yums by making it appear that Yums had infringed and continued to infringe Nike's trademark. In the course of its argument, Yums acknowledged that it had not previously sought to cancel the '905 Registration, which had been filed nearly two years earlier.

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After the hearing, Nike moved pursuant to Rule 12(b)(1) of the Federal Rules of Civil Procedure to dismiss Yums's counterclaims without prejudice on the ground that the District Court lacked subject matter jurisdiction. Nike also moved to dismiss its own claims voluntarily and with prejudice, pursuant to Rule 41(a)(2).

In response, Yums argued that Nike's claims should be dismissed with prejudice by summary judgment under Rule 56(b) rather than Rule 41(a)(2) to allow the action, insofar as it included Yums's counterclaims, to proceed. Yums argued that its counterclaims were not subject to dismissal along with Nike's claims because, under the Declaratory Judgment Act, they created an independent controversy over whether Nike had violated Yums's rights by improperly obtaining a trademark registration.

To demonstrate the existence of an actual controversy notwithstanding the Covenant's broad language, Yums filed affidavits from prospective investors who suggested that Nike's lawsuit had deterred them from investing in Yums or had prompted them to withdraw prior investments. A former investor in Yums, for example, stated that he resold his stock to Yums at a loss after learning of Nike's lawsuit, which he feared would tarnish Yums's reputation and deter other investors from investing in the company. The investor explained that the Covenant provided inadequate assurance that Nike could not "assert its trademarks against" Yums in the future over the sales of shoes similar to Air Force 1.

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On January 20, 2011, the District Court dismissed Nike's claims with prejudice and Yums's counterclaims without prejudice. *See Nike, Inc. v. Already, LLC, d/b/a Yums*, No. 09 Civ. 6366, 2011 WL 310321, at \*1, \*8 (S.D.N.Y. Jan. 20, 2011). In dismissing Nike's claims "on consent," the District Court explained that Yums had "consent[ed] to" dismissal of these claims but did not specify which rule, if any, it was invoking. *Id.* at \*2.

Turning to Yums's counterclaims and relying on *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), the District Court first concluded that Yums's declaratory judgment action failed to create a justiciable "case or controversy," since a declaratory judgment claimant "must, 'under all the circumstances,' demonstrate 'a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.'" *Nike, Inc.*, 2011 WL 310321, at \*4 (quoting *MedImmune*, 549 U.S. at 127). The District Court held that Yums's counterclaims did not meet this standard in light of the Covenant. In reaching this conclusion, the District Court considered the Covenant's language and broad scope, *id.*, Yums's failure to show that it had taken meaningful steps to create new shoes not covered by the Covenant, *id.* (quoting *Diamonds.net LLC v. Idex Online, Ltd.*, 590 F. Supp. 2d 593, 600 (S.D.N.Y. 2008)), and the absence of prior litigation between Nike and Yums. *Id.* at \*5 (citing *ICOS Vision Sys. Corp., N.V. v. Scanner Techs. Corp.*, 699 F. Supp. 2d 664, 670-71 (S.D.N.Y. 2010) (Chin, J.)). The District Court then ruled that Yums's counterclaim for cancellation of the '905 Registration under 15 U.S.C. § 1119 failed to confer subject matter jurisdiction because such a

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claim can arise only as part of a separate, independently supportable action. *Id.* at \*6-7. Lastly, without holding an evidentiary hearing, the District Court rejected Yums's application for attorneys' fees under the Lanham Act, 15 U.S.C. § 1117(a), because the case was not "exceptional" as required by the Act. 2011 U.S. Dist. LEXIS 9626, *id.* at \*8.

Yums timely appealed, challenging both the District Court's dismissal of its claims and the court's denial of Yums's motion for attorneys' fees without an evidentiary hearing.

**DISCUSSION**

We determine the existence of subject matter jurisdiction before addressing other threshold issues. Where a district court dismisses an action "for lack of subject matter jurisdiction, we review factual findings for clear error and legal conclusions *de novo*." *Maloney v. Soc. Sec. Admin.*, 517 F.3d 70, 74 (2d Cir. 2008). A "case is properly dismissed for lack of subject matter jurisdiction under Rule 12(b)(1) when the district court lacks the statutory or constitutional power to adjudicate it." *Makarova v. United States*, 201 F.3d 110, 113 (2d Cir. 2000).

**1. Rule 41(a)(2)**

Because the District Court's conclusion that it lacked jurisdiction followed its dismissal of Nike's claims under Rule 41(a)(2), Yums urges us to review in the first instance whether the District Court complied with that rule, which provides, in relevant part:

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Except as provided in Rule 41(a)(1), an action may be dismissed at the plaintiff's request only by court order, on terms that the court considers proper. If a defendant has pleaded a counterclaim before being served with the plaintiff's motion to dismiss, the action may be dismissed over the defendant's objection only if the counterclaim can remain pending for independent adjudication.

Fed. R. Civ. P. 41(a)(2). Yums claims that it did not consent to dismissal of its counterclaims, and that the District Court's dismissal of the entire action in fact occurred "over the defendant's objection" in violation of the second sentence of the rule.

When a plaintiff seeks to withdraw its claims pursuant to Rule 41(a)(2), but another event independently deprives the district court of an Article III case or controversy involving the defendant's counterclaims, Rule 41(a)(2) is irrelevant. *See Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1057 n.2 (Fed. Cir. 1995) (finding it unnecessary to consider whether dismissal pursuant to Rule 41(a)(2) was proper where dismissal was clearly proper because of the absence of an Article III case or controversy), *abrogated on other grounds by MedImmune*, 549 U.S. 118; *see also Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1340 & n.6 (Fed. Cir. 2001) (affirming a dismissal of a counterclaim based on a lack of Article III case or controversy even though the district court had not indicated any reliance on Rule 41(a)(2) or a statement of non-liability, and the record

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failed to show whether the defendant consented to Rule 41(a)(2) relief). Accordingly, we need not further address Rule 41(a)(2) because we conclude, as a matter of law, that Nike's delivery of the Covenant to Yums divested the District Court of subject matter jurisdiction, and we affirm on that basis.

## 2. The Covenant Not To Sue

In order to qualify as a justiciable "case or controversy" under Article III, "[t]he controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests." *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-41 (1937). The "case or controversy" requirement is not satisfied by a "difference or dispute of a hypothetical or abstract character." *Id.* at 240. In trademark cases seeking relief under either the Declaratory Judgment Act, 28 U.S.C. § 2201(a), or Section 37 of the Lanham Act, 15 U.S.C. § 1119, a valid covenant not to sue may strip district courts of jurisdiction. We review the jurisdictional effect of such a covenant under both Acts in turn.

### a. Declaratory Judgment Act

We turn first to the effect of such a covenant in trademark cases involving the Declaratory Judgment Act, which provides in relevant part:

In a case of actual controversy within its jurisdiction . . . any court of the United States,

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upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.

28 U.S.C. § 2201(a). The Declaratory Judgment Act does not expand the subject matter jurisdiction of the federal courts. *See PDK Labs, Inc. v. Friedlander*, 103 F.3d 1105, 1110 (2d Cir. 1997). In *Aetna*, the Supreme Court “explained that the phrase ‘case of actual controversy’ in the Act refers to the type of ‘Cases’ and ‘Controversies’ that are justiciable under Article III.” *MedImmune*, 549 U.S. at 127 (citing *Aetna*, 300 U.S. at 240). Its pronouncement in *Aetna* was refined four years later in *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941), in which the Supreme Court endorsed a totality of the circumstances test for determining whether a party seeking relief under the Act has demonstrated that a justiciable “controversy” exists. The Court in *Maryland Casualty* explained that “[b]asically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *Id.* In adopting this test, the Supreme Court recognized that “[t]he difference between an abstract question and a ‘controversy’ contemplated by the Declaratory Judgment Act is necessarily one of degree, and it would be difficult, if it would be possible, to fashion a precise test for determining in every case whether there is such a controversy.” *Id.*

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We did not apply the *Maryland Casualty* test in a trademark case until *Starter Corp. v. Converse, Inc.*, 84 F.3d 592, 595 (2d Cir. 1996) (per curiam). In that case, we employed a two-pronged test for determining whether subject matter jurisdiction exists:

[i]n a declaratory judgment action involving trademarks, the test for an “actual case or controversy” has two prongs, both of which must be satisfied in order to establish declaratory judgment jurisdiction: (1) has the defendant’s conduct created a real and reasonable apprehension of liability on the part of the plaintiff, and (2) has the plaintiff engaged in a course of conduct which has brought it into adversarial conflict with the defendant.

*Id.* at 595.

After our decision in *Starter*, the Supreme Court decided *MedImmune*, which confirmed that *Maryland Casualty*’s totality of the circumstances test for declaratory judgment actions applied in intellectual property cases, see 549 U.S. at 126-27, but which rejected *Starter*’s reasonable apprehension requirement, *id.* at 122, 132 (quoting *Gen-Probe Inc. v. Vysis, Inc.*, 359 F.3d 1376, 1381 (Fed. Cir. 2004)). *MedImmune* requires that we consider only whether the adversity of legal interests that exists between the parties is “real and substantial” and “admi[ts] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state

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of facts.” *Id.* at 127 (quoting *Aetna Life Ins., Co.*, 300 U.S. at 241).<sup>1</sup> The Court also suggested that the threat of future litigation remains relevant in determining whether an actual controversy exists. As in *MedImmune*, for example, simply holding litigation in abeyance, where a party could forestall litigation indefinitely by paying licensing fees, does not eliminate the case or controversy. *Id.* at 128 (“[The declaratory judgment plaintiff]’s own acts . . . eliminate the imminent threat of harm [and] [t]he question before us is whether this causes the dispute no longer to be a case or controversy within the meaning of Article III.”).

Until now, we have not applied *MedImmune* in an intellectual property case. However, a few of our sister circuits have done so in the context of declaratory judgment actions involving patents, which we have described as sufficiently “analogous” to those involving trademarks that “principles applicable to declaratory judgment actions involving patents are generally applicable with respect to trademarks.” *Starter Corp.*, 84 F.3d at 596; *see also Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1298-99 (Fed. Cir. 2009) (applying *MedImmune* to

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1. *See also Bruce Winston Gem Corp. v. Harry Winston, Inc.*, No. 09 Civ. 7352 (JGK), 2010 WL 3629592, at \*4 (S.D.N.Y. Sept. 16, 2010) (“the first prong of the *Starter* test cannot survive because the Supreme Court [in *MedImmune*] has made it clear that there need not be an imminent threat of liability,” but “the second prong . . . should survive because it is anchored in the requirement of the specificity and immediacy of the dispute which the Court reaffirmed in *MedImmune*.”).

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declaratory judgment action involving patents).<sup>2</sup>

In determining whether a covenant not to sue eliminates a justiciable case or controversy in a declaratory judgment action involving a trademark, district courts applying the *MedImmune* totality of the circumstances test should especially consider, in addition to other factors: (1) the language of the covenant, (2) whether the covenant covers future, as well as past, activity and products,<sup>3</sup> and (3) evidence of intention or lack of intention, on the part of the party asserting jurisdiction, to engage in new activity or to develop new potentially infringing products that arguably are not covered by the covenant.<sup>4</sup>

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2. Some district courts in our Circuit have already extended the holding in *Revolution Eyewear* to trademark cases, holding that a covenant not to sue can deprive a federal court of jurisdiction in such cases where there is no evidence of “sufficient intent and apparent ability” to engage in infringing activity. See *Bruce Winston Gem Corp.*, 2010 WL 3629592, at \*4; *ICOS Vision Sys. Corp., N.V. v. Scanner Techs. Corp.*, 699 F. Supp. 2d 664, 669 (S.D.N.Y. 2010) (Chin, J.) (quoting *Diamonds.net LLC*, 590 F. Supp. 2d at 600).

3. In referring to both activities and products, we recognize that a covenant not to sue may be limited in the sense that it renounces claims with respect to future activity, but not future products.

4. In its opinion, the District Court also considered the lack of a history of litigation between the parties. See *Nike, Inc.*, 2011 WL 310321 at \*5. Yums does not contend that any history of litigation between these parties would, standing alone, create a case or controversy if none exists based on the other factors discussed above. In any event, we conclude that the factors enumerated in

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Applying these factors here, we agree with the District Court that it had no actual case or controversy before it. The language of the Covenant is broad, covering both present and future products: Nike “unconditionally” and permanently renounced its right to claim, demand or “commenc[e], caus[e] or permit[] to be prosecuted any action in law or in equity” with respect to any shoe currently made by Yums, including the Sugar and Soulja Boy shoes, and all colorable imitations thereof. *Nike, Inc.*, 2011 WL 310321, at \*1-2. The breadth of the Covenant renders the threat of litigation remote or nonexistent even if Yums continues to market and sell these shoes or significantly increases their production. Given the similarity of Yums’s designs to the ‘905 mark and the breadth of the Covenant, it is hard to imagine a scenario that would potentially infringe the ‘905 mark and yet not fall under the Covenant. Yums has not asserted any intention to market any such shoe. *Nike, Inc.*, 2011 WL 310321, at \*4.

In *Revolution Eyewear*, 556 F.3d at 1296, the Federal Circuit concluded that a controversy persisted when the plaintiff delivered a covenant that promised not to sue only as to prior sales of the allegedly infringing product.

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our decision suffice to resolve this case. We do not consider whether a particularly contentious litigation history between two parties could preserve a case or controversy where a covenant not to sue would ordinarily eliminate it. *Cf. Diamonds.net*, 590 F. Supp. 2d at 598 (“While a threat of suit is not necessary to declaratory judgment jurisdiction, an aggressive litigation strategy . . . may signal the existence of an actual controversy.” (internal citation omitted)).

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The crucial difference between *Revolution Eyewear* and this case is the scope of the two covenants. In *Revolution Eyewear*, it was undisputed that the covenant did not protect the defendant from suit for any future marketing. *Id.* Here, the Covenant is far broader. It covers both past sales and future sales of both existing products and colorable imitations. Given the breadth of the Covenant, no controversy exists.<sup>5</sup>

Yums nevertheless urges that a justiciable controversy persists because Nike's litigation continues to have an injurious effect. Pointing to the affidavits of various investors, Yums alleges harm from the potential loss of investments by investors who fear infringement lawsuits in the future and for that reason have refrained from further investing or have withdrawn their investments. In this case, potential investor concerns about infringement lawsuits against the company, despite Nike's broad

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5. To be sure, the Covenant has not made future litigation between the parties impossible: at oral argument on appeal, counsel for Nike acknowledged that if Yums were to manufacture an exact copy of the Air Force 1 shoe (which presumably would include not only Nike's claimed trade dress, but also its trademark), Nike could claim that the Covenant permits an infringement suit on the ground that a counterfeit differs from a colorable imitation under the Lanham Act. But given the absence of record evidence that Yums intends to make any arguably infringing shoe that is not unambiguously covered by the Covenant, this hypothetical possibility does not create a "definite and concrete" dispute. *Aetna*, 300 U.S. at 240. Because no justiciable actual controversy existed after the District Court dismissed Nike's claims, any ruling by the District Court based on either the potential investors' affidavits or Nike's reservations of its rights to sue over a future counterfeit shoe would have been advisory.

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Covenant, fail to establish the sort of genuinely adverse legal interests between Nike and Yums that *MedImmune* requires. In addition, Yums contends that the Covenant is a “continuing libel” against it because the Covenant asserts Yums’s ongoing *de minimis* infringement of Nike’s trademark. Yums did not file a counterclaim alleging libel, however, and in any event we reject the contention that the mere existence of a document asserting infringement -- where the registrant cannot assert a claim relating to that infringement - - creates a case or controversy.

Relying on *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83, 96, 99-103, (1993), Yums also argues that a finding of non-infringement does not deprive a court of jurisdiction to rule on the validity of a trademark or patent. *Cardinal Chemical* is inapposite, however, as it “concern[s] the jurisdiction of an intermediate appellate court, not a trial court.” *Giese v. Pierce Chem. Co.*, 43 F. Supp. 2d 98, 112 n.14 (D. Mass. 1999); see also *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 78 F.3d 540, 546 (Fed. Cir. 1996) (“The Supreme Court’s decision in *Cardinal Chemical* is limited to the specific facts of that case[;] [s]pecifically, [that] an affirmance by th[e] court [of appeals] of a finding of noninfringement is not, by itself, enough to vacate a declaratory judgment holding the patent invalid.”). Moreover, unlike the trial court in *Cardinal Chemical*, the District Court here made no “finding[s]” on the merits of Yums’s declaratory judgment action. See *Cardinal Chemical*, 508 U.S. at 86, 95 (emphasizing that the only issue before the Court was the circuit court’s jurisdiction, and that “[i]n the trial court, of course, a party seeking a declaratory judgment

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has the burden of establishing the existence of an actual case or controversy”).

Yums also makes much of the District Court’s exercise of subject matter jurisdiction over Nike’s claims, which Yums contends was inconsistent with the District Court’s determination that a case or controversy no longer existed. We have already acknowledged that the District Court could have dismissed Nike’s claims either for lack of subject matter jurisdiction or “on consent.” *See supra* at 6-7. But Yums has not appealed the District Court’s exercise of jurisdiction over Nike’s claims, which resulted in a ruling favorable to Yums, and in the part of the District Court order that *is* before us there is no error.

**b. The Lanham Act**

We turn next to the Lanham Act, 15 U.S.C. § 1119, which Yums contends provides an independent basis of federal subject matter jurisdiction, notwithstanding the dismissal of the underlying trademark claim.<sup>6</sup> Under

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6. Section 1119 reads in full:

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark

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the Lanham Act, district courts are authorized to cancel registrations, but only “[i]n any action involving a registered mark.” 15 U.S.C. § 1119. The limiting phrase “[i]n any action involving a registered mark” plainly narrows the circumstances in which cancellation may be sought -- namely, in connection with “a properly instituted and otherwise jurisdictionally supportable action involving a registered mark.” *Universal Sewing Mach. Co. v. Standard Sewing Equip. Corp.*, 185 F. Supp. 257, 260 (S.D.N.Y. 1960).

Section 1119 therefore creates a remedy for trademark infringement rather than an independent basis for federal jurisdiction. Both the Third Circuit and the Federal Circuit have held that, by its plain terms, this provision requires that “a controversy as to the validity of or interference with a registered mark . . . exist before a district court has jurisdiction to grant the cancellation remedy.” *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 873 (3d Cir. 1992); *see id.* (noting that a petition to the Patent and Trademark Office is the “primary means of securing a cancellation,” and that § 1119 provides no independent basis for jurisdiction) (citing *Universal Sewing Mach. Co.*, 185 F. Supp. at 260); *Windsurfing Int’l, Inc. v. AMF Inc.*, 828 F.2d 755, 758-59 (Fed. Cir. 1987); *see also McCarthy on Trademarks and Unfair Competition* § 30:110 (4th ed. 2010) (“[Section 1119] alone does not create grounds for federal jurisdiction.”). We agree with their

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Office, and shall be controlled thereby.

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analysis, and hold that a claim for trademark cancellation under § 1119 is insufficient to support federal jurisdiction where a covenant not to sue has resolved the underlying infringement action.

Yums cites only one case, *Bancroft & Masters, Inc. v. Augusta National Inc.*, 223 F.3d 1082 (9th Cir. 2000), in support of its argument that a court may retain jurisdiction over a § 1119 claim notwithstanding the end of a case or controversy with respect to the rest of the action. The Ninth Circuit in *Bancroft & Masters*, however, concluded that the promise not to sue in that case failed to end the case or controversy. *Id.* at 1085. Its pronouncement that even an unqualified promise “would not have mooted [the] separate request for [§ 1119] cancellation of [the] trademarks” is therefore dictum. *Id.* In addition, the Ninth Circuit in *Bancroft* failed to consider the language in § 1119 that renders that section remedial, not jurisdictional. Accordingly, we find its opinion unpersuasive.

Yums next characterizes Nike’s original lawsuit as a “properly instituted and otherwise jurisdictionally supportable action” and contends that this fact alone provided a basis for the District Court to retain jurisdiction over Yums’s § 1119 cancellation counterclaim notwithstanding the Covenant. Yums’s argument ignores the settled rule that the “case-or-controversy requirement . . . subsists through all stages of federal judicial proceedings.” *White River Amusement Pub, Inc. v. Town of Hartford*, 481 F.3d 163, 167 (2d Cir. 2007) (internal quotation marks omitted) (citing *Spencer v. Kemna*, 523 U.S. 1, 7(1998)). Although Nike’s action was “properly instituted,” it was no longer “jurisdictionally supportable” after the Covenant was delivered.

*Appendix A***3. Attorneys' Fees**

We review an order denying attorneys' fees under the Lanham Act for abuse of discretion. See *Gordon & Breach Science Publishers S.A. v. Am. Inst. of Physics*, 166 F.3d 438, 439 (2d Cir. 1999) (per curiam). Such fees are available only in "exceptional cases," which generally means that fees will be awarded to the defendant only if the plaintiff filed the action in bad faith. See *Banff, Ltd. v. Colberts, Inc.*, 996 F.2d 33, 36 (2d Cir. 1993). Here, Nike filed its action pursuant to its own registered trademark and withdrew the action quickly. On the record before us, we cannot say that the District Court abused its discretion when it found that Nike had not acted in bad faith, and Yums fails to identify what additional information the District Court needed to make an informed decision about attorneys' fees. Accordingly, we find no abuse of discretion in its decision to deny fees without a hearing.

**CONCLUSION**

We affirm the judgment of the District Court.

**APPENDIX B — MEMORANDUM AND ORDER  
OF THE UNITED STATES DISTRICT COURT,  
SOUTHERN DISTRICT OF NEW YORK,  
FILED JANUARY 20, 2011**

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

**No. 09 Civ. 6366 (RJS)**

**NIKE, INC.,**

**Plaintiff,**

**VERSUS**

**ALREADY, LLC, D/B/A YUMS,**

**Defendant.**

**MEMORANDUM AND ORDER**

**January 20, 2011**

**RICHARD J. SULLIVAN, District Judge:**

This action for trademark infringement, false designation of origin, unfair competition, and trademark dilution arises under the Trademark Act of 1946 (the "Lanham Act"), New York General Business Law Section 360, and New York state common law. Now before the Court is Plaintiff Nike, Inc.'s motion to dismiss its own complaint with prejudice and to dismiss the counterclaims of Defendant Already, LLC, d/b/a Yums, without prejudice. For the following reasons, Plaintiff's motion is granted in its entirety.

*Appendix B***I. BACKGROUND****A. Facts**

Plaintiff, an Oregon corporation, is a leading designer, marketer, and distributor of athletic footwear. (Compl. ¶¶ 1, 7.) In 1982, Plaintiff designed an athletic shoe called the Air Force I. (*Id.* ¶ 9.) Since that time, Plaintiff has produced the shoe in over 1,700 different color combinations and has sold it around the world. (*Id.*) Today, Plaintiff sells millions of pairs of Air Force I shoes per year. (*Id.*)

Since June 24, 2008, Plaintiff has held U.S. Trademark Registration No. 3,451,905 (the “905 Registration”) for an athletic shoe design, which it claims is the Air Force I design. (*Id.* ¶ 11.) Specifically, the 905 Registration covers

the design of stitching on the exterior of the shoe, the design of the material panels that form the body of the shoe, the design of the wavy panel on top of the shoe that encompasses eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other.

(Compl., Ex. A.)

Defendant, a Texas corporation, also sells, among other items, athletic footwear. (*Id.* ¶¶ 2, 14.) In its Sweet line of athletic shoes, Defendant sells two shoes called Sugar and Soulja Boy. (*Id.* ¶ 15.) Plaintiff’s complaint

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alleges that these shoes infringe the 905 Registration and its common law trademark rights (together, the “Nike mark”). (*Id.* ¶¶ 19-55.)

**B. Procedural History**

Plaintiff filed the complaint in this action on July 16, 2009. On November 19, 2009, Defendant filed its answer and counterclaims seeking a declaratory judgment that (1) the mark depicted in the 905 Registration is invalid under federal or New York state law; (2) the design of the Air Force I shoe is not a valid trademark under federal or New York state law; (3) Defendant “has not infringed any rights that Nike may have” in the mark depicted in the 905 Registration; and (4) Defendant “has not infringed any rights that Nike may have in the configuration” of the Air Force I. (Def.’s Answer, Doc. No. 17, ¶¶ ii-v.) Additionally, Defendant seeks cancellation of the 905 Registration pursuant to 15 U.S.C. § 1119 and the award of attorney’s fees pursuant to 15 U.S.C. § 1117. (*Id.* ¶¶ vi-vii.)

In the middle of discovery, Plaintiff delivered a covenant not to sue, dated March 19, 2010, to Defendant. (*See* Declaration of Erik S. Maurer (“Maurer Decl.”) ¶ 9 & Ex. A, dated April 12, 2010.) The covenant defines the “Nike Mark” as the “federal and common law trademark rights in the design of Nike’s Air Force I low shoe,” including the 905 Registration. (*Id.* at Ex. A.) The covenant provides that, because Defendant’s actions “no longer infringe or dilute the Nike Mark at a level sufficient to warrant the substantial time and expense of continued litigation,” Plaintiff “unconditionally and irrevocably covenants to

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refrain from making any claim(s) or demand(s), or from commencing, causing, or permitting to be prosecuted any action in law or equity” against Defendant or any related entities

on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law in the United States relating to the Nike Mark based on the appearance of any of [Defendant’s] current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant.

*(Id.)*

In light of this covenant, Plaintiff petitioned the Court to dismiss its action and Defendant’s counterclaims pursuant to Rule 41(a)(2) of the Federal Rules of Civil Procedure. Defendant consented to the dismissal of Plaintiff’s causes of action with prejudice but objected to the dismissal of its counterclaims. Accordingly, on April 12, 2010, Plaintiff filed the instant motion seeking to dismiss its claims with prejudice and to dismiss Defendant’s counterclaims without prejudice. Defendant filed its opposition to Plaintiff’s motion on April 26, 2010, and Plaintiff filed its reply on May 5, 2010.

*Appendix B***II. DISCUSSION****A. Standard of Review**

“A case is properly dismissed for lack of subject matter jurisdiction under Rule 12(b)(1) when the district court lacks the statutory or constitutional power to adjudicate it.” *Makarova v. United States*, 201 F.3d 110, 113 (2d Cir. 2000). “In the trial court, of course, a party seeking a declaratory judgment has the burden of establishing the existence of an actual case or controversy.” *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 95(1993); see also *ICOS Vision Sys. Corp., N.V. v. Scanner Techs. Corp.*, 699 F. Supp. 2d 664, 667 (S.D.N.Y. 2010) (“[T]he party ‘seeking to invoke the subject matter jurisdiction of the district court’ ... bears the burden of demonstrating that there is subject matter jurisdiction in the case.”) (quoting *Scelsa v. City Univ. of N.Y.*, 76 F.3d 37, 40 (2d Cir. 1996)). Accordingly, although Defendant argues otherwise, because it is seeking to invoke the Court’s declaratory judgment jurisdiction, it bears the burden of demonstrating that the Court has subject matter jurisdiction over its counterclaims.

**B. Analysis**

As an initial matter, the Court need not focus on the dismissal of Plaintiff’s claims in this action, as Plaintiff has moved for their dismissal with prejudice and Defendant consents to this relief. (Def.’s Opp’n at 14.) Accordingly, the Court grants Plaintiff’s motion with respect to its claims on consent.

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The parties dispute, however, whether the Court may retain jurisdiction over Defendant's counterclaims. The issue is whether, after the March 19 covenant, an actual controversy exists such that the Court can continue to exercise jurisdiction over Defendant's counterclaims seeking declaratory relief and cancellation of the 905 Registration. For the following reasons, the Court holds that it does not.

### 1. Declaratory Relief

Plaintiff maintains that the March 19 covenant divests the Court of jurisdiction over Defendant's counterclaims seeking declaratory relief, as it strips this action of a justiciable controversy. Although Defendant agrees that the March 19 covenant is enforceable, it argues that the Court retains jurisdiction over its counterclaims because a dispute between the parties remains active and live. (Def.'s Opp'n at 16.)

The Declaratory Judgment Act provides that "[i]n a case of actual controversy within its jurisdiction ... any court of the United States ... may declare the rights and other legal relations of any interested party seeking such declaration." 28 U.S.C. § 2201(a). Additionally, "in order for a federal court to have jurisdiction over an 'actual controversy,' a federal question 'arising under the Constitution, laws or treaties of the United States' must be involved, 28 U.S.C. § 1331, since it is well-settled that the Declaratory Judgment Act does not expand the jurisdiction of the federal courts." *Starter Corp. v. Converse, Inc.*, 84 F.3d 592, 594 (2d Cir. 1996) (per

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curiam), *abrogated on other grounds by MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118(2007). Accordingly, the Court lacks authority to grant any declaratory relief unless both a federal question and an actual controversy exist. *Id.* Additionally, the actual controversy must remain throughout the entirety of the action, not merely at the initiation of the action. *Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1344 (Fed. Cir. 2007).

What constitutes an actual controversy is well settled. “Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *Maryland Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273, (1941). In *MedImmune*, the Supreme Court clarified that the proper analysis for whether a case or controversy exists in patent actions seeking declaratory relief is the same analysis as in any other declaratory judgment action.<sup>1</sup> 549 U.S. at 127, 132. In other words, the proper analysis remains one that considers all of the circumstances in the particular case. *See id.*; *see also ICOS*, 699 F. Supp. 2d at 668-69 (explaining that any claim for declaratory relief must present “a substantial controversy, between parties

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1. Although this case is a trademark, not patent, case, “[d]eclaratory judgment actions involving trademarks are analogous to those involving patents, and principles applicable to declaratory judgment actions involving patents are generally applicable with respect to trademarks.” *Starter*, 84 F.3d at 595, *abrogated on other grounds by MedImmune*, 549 U.S. at 118 (internal citations omitted).

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having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment”) (internal quotation marks omitted).

Prior to *MedImmune*, the Second Circuit held that in “declaratory judgment action[s] involving trademarks,” courts are to apply a two-prong test to determine whether an actual case or controversy exists. *See Starter*, 84 F.3d at 595. Specifically, courts are to ascertain “(1) [whether] the defendant’s conduct created a real and reasonable apprehension of liability on the part of the plaintiff, and (2) [whether] the plaintiff engaged in a course of conduct which has brought it into adversarial conflict with the defendant.” *Id.* The Second Circuit clarified that the second prong entails the party seeking a declaratory judgment to have “demonstrated the imminent intent and ability to use [the mark on its products].” *Id.* at 596. Additionally, the party must demonstrate that it has more than a “vague or general desire” to use the mark. *Id.*

Whether the Second Circuit test in its entirety survives *MedImmune* is unclear. Compare *Bruce Winston Gem Corp. v. Harry Winston, Inc.*, No. 09 Civ. 7352 (JGK), 2010 WL 3629592, at \*4 (S.D.N.Y. Sept. 16, 2010) (stating that “[a]fter *MedImmune*, the first prong of the *Starter* test cannot survive”), with *Analect, LLC v. Fifth Third Bancorp*, 380 Fed. App’x. 54, 56 (2d Cir. 2010) (citing to the first prong from *Starter*) (summary order). However, what is clear is that the Defendant must, “under all the circumstances,” demonstrate “a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance

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of a declaratory judgment” in order for the Court to retain jurisdiction over its counterclaims. *MedImmune*, 549 U.S. at 127 (internal quotation marks omitted). Because of the March 19 covenant, Defendant cannot meet that burden.

“Whether a covenant not to sue will divest the trial court of jurisdiction depends on what is covered by the covenant.” *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1297 (Fed. Cir. 2009). “Courts look to the precise language of the covenant or agreement in determining its scope and whether declaratory judgment jurisdiction is appropriate.” *ICOS*, 699 F. Supp. 2d at 669. “Where a covenant not to sue does not extend to future sales of the same product as was previously sold, such an agreement will not divest the trial court of declaratory judgment jurisdiction.” *Id.* (internal citations and quotation marks omitted). “Moreover, a court is not divested of jurisdiction where the declaratory judgment plaintiff has taken ‘meaningful preparatory steps’ toward developing new or updated [products] not covered by the [covenant not to sue].” *Id.* (citing *Diamonds.net LLC v. IDEX Online, Ltd.*, 590 F. Supp. 2d 593, 600 (S.D.N.Y. 2008)).

The March 19 covenant clearly extends to future sales of Defendant’s current footwear designs, including the Sugar and Soulja Boy shoes, as well as to future sales of “colorable imitations” of those shoes.<sup>2</sup> This case,

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2. Although the March 19 covenant leaves “colorable imitation” undefined, given a broad reading of the phrase, it seems clear that any of Defendant’s future products that arguably

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therefore, is easily distinguishable from *Diamonds.net*—a case cited by Defendant—in which Judge Holwell found that the court retained subject matter jurisdiction over Defendant's declaratory judgment counterclaims after the plaintiff executed a covenant not to sue. See *Diamonds.net*, 590 F. Supp. 2d at 595. That covenant did not extinguish any justiciable controversy because, unlike the March 19 covenant, it pertained only to the allegedly infringing website as it “previously existed” or “currently exist[ed]” on the date of the covenant. *Id.* (alteration in original).

There is also nothing before the Court to indicate that Defendant “has taken ‘meaningful preparatory steps’ toward developing new or updated [products] not covered by the [covenant not to sue].” *ICOS*, 699 F. Supp. 2d at 669 (citing *Diamonds.net*, 590 F. Supp. 2d at 600). Setting aside the fact that—as already explained—few “new or updated” products could potentially infringe the Nike Mark *and* not be covered by the March 19 covenant, Defendant does not allege that it has taken any “meaningful preparatory steps” to create shoes that could potentially infringe the Nike Mark. Meaningful preparatory steps would be those “‘preparations for production which [suggest] that, but for a finding that the product infringes or for extraordinary and unforeseen contingencies, the [party seeking a declaratory judgment of infringement] would and could begin production immediately.’” *Diamond.net*, 590 F. Supp. 2d at 599 (quoting *Sweetheart Plastics, Inc.*

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infringed the Nike Mark would be “colorable imitations” of the Sugar or Soulja Boy shoes. (Maurer Decl., Ex. A.)

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*v. Ill. Tool Works, Inc.*, 439 F.2d 871, 875 (1st Cir. 1971)). The affidavits submitted by Defendant do not show that Defendant has taken any meaningful preparatory steps to create shoes that would infringe the Nike Mark, given the March 19 covenant. Rather, the affidavits describe only forthcoming modifications of the Sweet shoe line, as well as other shoe lines. (See, e.g., Affidavit of John P. McDade (“McDade Aff.”) ¶¶ 8, 13, dated April 23, 2010.) The March 19 Covenant, however, covers all future “colorable imitations” of the Sugar or Soulja Boy shoes, and the Court has no indication that any of Defendant’s forthcoming models would extend beyond this broad language. Accordingly, neither the “future sales” factor nor the “meaningful preparatory steps” factor favor Defendant. *ICOS*, 699 F. Supp. 2d at 669.

In fact, none of the rationales influencing then-District Judge Chin’s decision in *ICOS* are present in this action. In four related cases before Judge Chin, the *ICOS* plaintiffs sought declaratory judgments that several of the defendant’s patents were invalid and that they were not infringing those patents. *Id.* at 665. After the defendant delivered covenants not to sue to the plaintiffs, the defendants moved to dismiss the four actions under Rule 12(b)(1). *Id.* at 666-67. Finding that the covenants did not divest the court of subject matter jurisdiction, Judge Chin denied the defendant’s motion. *Id.* His decision was based on the fact that (1) the covenants did not “explicitly cover future sales of products that existed at the time of the covenants,” (2) the covenants did not “cover future products,” (3) the covenants did not cover related patents involving the same underlying technology, (4) plaintiffs

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refused to amend the covenants in order to cure their defects, and (5) the parties had a history of litigation. *Id.* at 670-71. With respect to the first two reasons, the Court repeats that the March 19 covenant clearly applies to future sales of products that existed at the time of covenant and also covers future, new products that would be “colorable imitations” of any of Defendant’s previous or current footwear designs. The third and fourth factors are not present here, as the parties do not discuss any trademark related to the 905 Registration and the Court has not asked Plaintiff—and Plaintiff has not refused—to cure any defect in the March 19 covenant.

With respect to the final reason—the parties’ litigation history—the only other action between the parties of which the Court is aware is a complaint filed by Defendant in Texas after Plaintiff filed this action. (See Maurer Decl. ¶ 5.) On the other hand, the parties in *ICOS* had a long, protracted history of litigation, with multiple actions filed by both parties, spanning the course of a decade. *ICOS*, 699 F. Supp. 2d at 666-67; see also *Diamonds.net*, 590 F. Supp. 2d at 598 (“While a threat of suit is not necessary to declaratory judgment jurisdiction, an aggressive litigation strategy such as plaintiffs’ may signal the existence of an actual controversy.”) (internal citation omitted). Therefore, the Court has no reason to believe that Plaintiff has plans to bring any future action against Defendant.

Nevertheless, Defendant argues that its counterclaims standing alone—even after the March 19 covenant—present a justiciable controversy. It argues that the 905

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Registration continues “to interfere with Yums’ ability to carry on a lawful business in making and selling YUMS-branded shoes.” (Def.’s Opp’n at 19.) In support of this assertion, Defendant has submitted affidavits from potential investors. For example, the Affidavit of Vincent Piras (the “Piras Aff.”), dated April 23, 2010, states that, although he has seen the 905 Registration and the March 19 covenant, he continues to refuse to invest in Defendant “because the covenant discusses application only to existing designs and colorable imitations thereof.” (Piras Aff. ¶ 6.) Piras further explains, “I would *consider* reinvesting in Yums if the 905 Registration was cancelled *and* it was clearly established that Nike has no right to object to Yums [sic] sale of shoes *similar to* Air Force I.” (*Id.* (emphases added).)

As an initial matter, Piras will only “consider” investing in Defendant if the 905 Registration was cancelled and he was assured that Nike has no right to object to shoes similar to the Air Force I. (*See also* Affidavit of Kyle Schnable, ¶ 6, dated April 23, 2010 (“[I]f the 905 Registration was cancelled and it was clearly established that Nike has no right to object to Yums [sic] sale of shoes *similar to* the Air Force I, I would strongly *reconsider*” investing in Defendant.”) (emphases added); Affidavit of Marvin Wilson, ¶ 6, dated April 25, 2010 (substantially the same).) Thus, there is no evidence that even the cancellation of the 905 Registration *would* persuade investors like Piras to invest in Defendant. Rather, cancellation of the 905 Registration only *might* persuade these investors.

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Additionally, the Court does not place the same significance as Piras on the distinction between shoe designs “similar to” the Air Force I and designs that are “colorable imitations” of current designs by Defendant. As described above, the Court interprets the phrase “colorable imitations” in the March 19 covenant broadly, and thus the Court sees little difference between the assurances Defendant’s potential investors seek and the scope of the March 19 covenant.

Therefore, in light of the March 19 covenant, the Court concludes that the existence of the 905 Registration alone does not create a “substantial controversy. . . of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune*, 549 U.S. at 127 (internal quotation marks omitted); *see also Benitec*, 495 F.3d at 1347-48 (dismissing the defendant’s counterclaims in light of the plaintiff’s execution of a covenant not to sue); *Amerimax Real Estate Partners, Inc. v. RE/MAX Int’l, Inc.*, 600 F. Supp. 2d 1003, 1008-10 (N.D. Ill. 2009) (same); *Furminator, Inc. v. Ontel Prods. Corp.*, 246 F.R.D. 579, 590-92 (E.D. Mo. 2007) (same); *Crossbow Tech., Inc. v. YH Tech.*, 531 F. Supp. 2d 1117, 1121-24 (N.D. Cal. 2007) (same).

## 2. Cancellation

Alternatively, Defendant maintains that its counterclaim seeking cancellation of the 905 Registration pursuant to 15 U.S.C. § 1119 is an independent basis for the Court’s continued subject matter jurisdiction. The Court disagrees.

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Section 1119 provides that “[i]n any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.” 15 U.S.C § 1119. However, if no “action involving a registered mark” is before a district court, then a party seeking cancellation must obtain such relief from the United States Patent and Trademark Office. Significantly, the law is clear that “a federal court’s authority to determine registrability . . . depends on a properly-instituted and otherwise jurisdictionally-supported action involving a registered trademark.” *Manganaro Foods, Inc. v. Manganaro’s Hero-Boy, Inc.*, No. 01 Civ. 849 (JGK), 2002 WL 1560789, at \*10 (S.D.N.Y. July 15, 2002) (citations omitted); *see also Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 873-74 (3d Cir. 1992) (“[A] controversy as to the validity of or interference with a registered mark must exist before a district court has jurisdiction to grant the cancellation remedy.”); McCarthy on Trademarks and Unfair Competition § 30:110 (4th ed. 2010) (“[Section 1119] alone does not create grounds for federal jurisdiction”).

Defendant attempts to distinguish this action from such precedent by arguing that, at the time Defendant answered the complaint, the Court *had* jurisdiction to cancel the registration under Section 1119. In other words, it was only a subsequent event—the March 19 covenant—that divested the Court of jurisdiction. Defendant, in essence, argues that it is unfair for Plaintiff to have instituted this action, for Defendant to have properly

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counterclaimed for declaratory relief and cancellation, and then for Plaintiff's unilateral execution of the March 19 covenant to prevent the Court from deciding the validity of the 905 Registration.

Although some courts in other districts have agreed with Defendant's argument, *see, e.g., Bancroft & Masters, Inc. v. Augusta Nat'l, Inc.*, 223 F.3d 1082, 1085 (9th Cir. 2000), the Court is aware of no such authority in this Circuit. To the contrary, a long line of cases recognizes that Section 1119 does not provide for a concurrent remedy to seeking cancellation before the Patent and Trademark Office, if concurrent is "taken to mean ... that an original suit may be instituted ... in the district court for cancellation of another's federal registration where no other basis of jurisdiction is present.... [Rather, Section 1119] assumes a properly instituted and *otherwise jurisdictionally supportable* action involving a registered mark." *Univ. Sewing Mach. Co. v. Standard Sewing Equip. Corp.*, 185 F. Supp. 257, 260 (S.D.N.Y. 1960) (emphasis added); *see Bruce Winston*, 2010 WL 3629592 at \*6 ("The existence of the dispute over the registrability of the plaintiff's mark is an insufficient basis to continue the action in this Court."); *cf. GMA Accessories, Inc. v. Idea Nuova, Inc.*, 157 F. Supp. 2d 234, 241 (S.D.N.Y. 2000) (denying a motion to dismiss for lack of subject matter jurisdiction on the basis of the continued presence of a case or controversy, not due to the presence of a cancellation counterclaim itself).

The logical extension of these cases is that, if an event subsequent to the pleadings strips a court of jurisdiction over the action, the court is also stripped of the ability to order cancellation of a registered trademark

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pursuant to Section 1119.<sup>3</sup> See, e.g., *CIBER, Inc. v. CIBER Consulting, Inc.*, 326 F. Supp. 2d 886, 892-93 (N.D. Ill. 2004) (dismissing a counterclaim for cancellation under Section 1119 for lack of a justiciable controversy after plaintiff's executed a covenant not to sue). After the March 19 covenant, there remains no "substantial controversy ... of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *MedImmune*, 549 U.S. at 127. Therefore, the Court must dismiss Defendant's counterclaims. See *Sewing Mach.*, 185 F. Supp. at 260.

Although some inefficiency results from requiring Defendant to now institute an administrative proceeding before the Patent and Trademark Office in order to seek cancellation of the 905 Registration, "no amount of 'prudential reasons' or perceived increases in efficiency, however sound, can empower a federal court to hear a

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3. It is also worth noting that the Second Circuit has indicated in dicta that "[i]f a district court action involves only the issue of whether a mark is entitled to registration and if subject matter jurisdiction is available, the doctrine of primary jurisdiction might well be applicable." *Goya Foods, Inc. v. Tropicana Prods., Inc.*, 846 F.2d 848, 853 (2d Cir. 1988) (citation omitted). Because the doctrine of primary jurisdiction "guards against premature judicial encroachment upon an agency's sphere of responsibility and expertise," *id.* at 851, a district court facing such a situation should await a decision on registration from the Patent and Trademark Office, as "the benefits of awaiting the decision of the [Patent and Trademark Office] would rarely, if ever, be outweighed by the litigants' need for a prompt adjudication," *id.* at 853. This dicta lends support to the Court's conclusion that, in the present posture of this case, the Patent and Trademark Office is the proper venue for Defendant to seek cancellation.

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case where there is no extant case or controversy.” *Dow Jones & Co., Inc. v. Ablaise Ltd.*, 606 F.3d 1338, 1348 (Fed. Cir. 2010); *see also Diamonds.net*, 590 F. Supp. 2d at 596 (explaining that while federal jurisdiction should not be subject to the parties’ manipulation, a court cannot “respond to jurisdictional gamesmanship” by simply continuing to exercise jurisdiction unless Article III’s case or controversy requirement is met, as it is “an unwaivable constitutional limitation on the authority of the federal courts”); *CIBER*, 326 F. Supp. 2d at 892-93 (same).

Accordingly, the counterclaims of Defendant are dismissed pursuant to Rule 12(b)(1) of the Federal Rules of Civil Procedure for lack of subject matter jurisdiction.

### 3. Attorney’s Fees

On the basis of the March 19 covenant, Defendant is petitioning for an award of attorney’s fees under Section 35 of the Lanham Act. That section, however, provides for the recovery of attorneys’ fees in “exceptional cases.” 15 U.S.C. § 1117(a). In order for a case to be considered “exceptional,” the Second Circuit requires a showing of bad faith. *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 194 (2d Cir. 1996). “An action is brought in bad faith when the claims are ‘entirely without color and made for reasons of harassment or delay or for other improper purposes.’” *Gamla Enters. N. Am., Inc. v. Lunor-Brillen Design U. Vertriebs GmbH*, No. 98 Civ. 992 (MGC), 2000 WL 193120, at \*4 (S.D.N.Y. Feb. 17, 2000) (quoting *Browning Debenture Holders’ Comm. v. DASA Corp.*, 560 F.2d 1078, 1089 (2d Cir. 1977)). “The test is conjunctive and neither

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meritlessness alone nor improper purpose alone will suffice.” *Sierra Club v. U.S. Army Corps of Eng’rs*, 776 F.2d 383, 390 (2d Cir. 1985). Accordingly, “defendants are rarely awarded attorney’s fees in trademark infringement cases.” *Banff, Ltd. v. Colberts, Inc.*, 810 F. Supp. 79, 80 n.2 (S.D.N.Y. 1992), *aff’d*, 996 F.2d 33 (2d Cir. 1993).

The Court finds that this case, in which Plaintiff moved to voluntarily dismiss its claims at an early stage of litigation, is not exceptional such that Defendant is entitled to attorney’s fees and costs under Section 1117. *Cf. Orient Express Trading Co. v. Federated Dep’t Stores, Inc.*, 842 F.2d 650, 655 (2d Cir. 1988) (affirming an award of attorney’s fees to defendants in a trademark action where plaintiffs filed seventeen trademark applications in order “to instigate ‘vexatious’ litigation”); *Gamla*, 2000 WL 193120, at \*5. Accordingly, Plaintiff’s request for an award of attorney’s fees is denied.

### III. CONCLUSION

For the foregoing reasons, Plaintiff’s motion to dismiss its claims with prejudice and Defendant’s counterclaims without prejudice is GRANTED in its entirety.

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The Clerk of the Court is directed to terminate the motion located at Doc. No. 35 and to close this case.

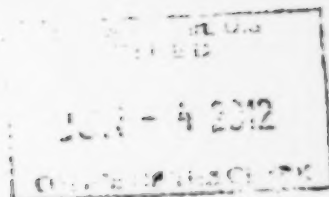
SO ORDERED.

/s/\_\_\_\_\_

**RICHARD J. SULLIVAN**  
**UNITED STATES DISTRICT JUDGE**

Dated: January 20, 2011  
New York, New York

# **OPPOSITION BRIEF**



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IN THE  
**Supreme Court of the United States**

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ALREADY, LLC, D/B/A YUMS,  
*Petitioner,*  
v.

NIKE, INC.,  
*Respondent.*

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On Petition for a Writ of Certiorari to the  
United States Court of Appeals for the Second Circuit

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**BRIEF IN OPPOSITION**

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## **QUESTION PRESENTED**

Whether respondent's covenant not to sue petitioner was worded in a fashion that resolved the "actual controversy" in this declaratory judgment suit.

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## **BRIEF IN OPPOSITION**

Respondent Nike, Inc., respectfully requests that this Court deny the petition for a writ of certiorari.

### **STATEMENT OF THE CASE**

#### **I. Introduction**

Having concluded that any actual or potential trademark infringement by petitioner Already did not warrant litigation, respondent Nike covenanted not to sue petitioner. Contrary to the premise of the question presented by the petition, Nike's covenant was not limited to petitioner's "then-existing commercial activities." Pet. i. Instead, it was worded to include future sales of any "current and/or previous footwear product designs," as well as "colorable imitations thereof," regardless of whether the footwear is produced, offered for sale, or sold in the future. Pet. App. 3a-4a; C.A. J.A. 94. Carefully examining the wording of the covenant, the court of appeals found no ongoing controversy between the parties, because it could not conceive of a potentially trademark-infringing product petitioner might produce that fell outside the scope of the covenant. Petitioner itself has never argued that it plans to produce any such product. So the court of appeals held that the covenant eliminated Article III jurisdiction to determine the validity of Nike's trademark.

Petitioner's assertion that this holding contributed to a circuit conflict is baseless. The only case petitioner cites as supposedly in conflict with the decision below, *Bancroft & Masters, Inc. v. Augusta National, Inc.*, 223 F.3d 1082 (9th Cir. 2000), is

entirely inapposite. The court there found continuing jurisdiction because the offer of settlement in that case was "incomplete and qualified," *id.* at 1085, whereas here, the district court and Second Circuit found Nike's covenant to be comprehensive and unqualified. That fact-bound determination, at the heart of the different outcomes in the two cases, does not warrant this Court's review.

Petitioner notes *Bancroft's* statement in *dicta* that the case could have proceeded even in the face of an unqualified settlement offer. But that statement was founded on the fact that the challenger in that case had brought not only a declaratory judgment claim (which would have been rendered non-justiciable by an adequate covenant not to sue) but also a separate count seeking cancellation of the registration as a remedy for prior trademark misuse (which, the Ninth Circuit surmised, would survive any such covenant). Again, the facts of this case are entirely different – petitioner brought solely a counterclaim for declaratory judgment. The Second Circuit's conclusion that this claim could not proceed after the issuance of Nike's comprehensive and unqualified covenant is entirely consistent with the law in the Ninth Circuit.

That conclusion also is consistent with the decisions of this Court, which have repeatedly made clear that federal courts lack jurisdiction to adjudicate declaratory judgment claims in the absence of a live case or controversy between the parties. That does not mean, as petitioner contends, that trademark holders have a free hand to manipulate the judicial system to prevent cancellation of unlawful registrations. To the

contrary, Congress established an administrative process that broadly permits anyone who “believes that he is or will be damaged . . . by the registration,” to seek its cancellation. 15 U.S.C. § 1064. Petitioner could have pursued that remedy at any time, but has chosen not to do so. Instead, it has filed this petition, asking the Court to resolve what amounts in the end to a fact-bound dispute over the adequacy of one particular covenant not to sue. That request should be denied.

## **II. Factual Background**

Nike introduced its Air Force 1 low sneaker design in 1982. The Air Force 1 is one of Nike’s bestselling shoe designs of all time. The company owns trademark rights in the appearance of the Air Force 1 design, including U.S. Trademark Registration Number 3,451,905 (“the ‘905 registration”).

In late 2008, Nike discovered that petitioner had hired two of Nike’s shoe engineers and was producing shoes widely considered to be close imitations of Nike’s trademarked Air Force 1 design. C.A. J.A. 112, 106, 109. For example, an October 2008 article ranked petitioner’s “Yums Soulja Boy” shoe as second among the top ten copies of Nike’s Air Force 1 design. *Id.* 106. Nike contacted petitioner to raise its concerns and avoid litigation. *Id.* 90-91. When these attempts made little headway, Nike commenced this litigation.

### III. Procedural Background

#### A. District Court Proceedings

Nike filed a complaint in federal district court, asserting trademark infringement, trademark dilution, and unfair competition claims against petitioner. Pet. App. 2a. Petitioner answered the complaint and asserted a declaratory judgment “Counterclaim.” *Id.* 3a. Petitioner’s prayer for relief sought, among other things, cancellation of the ‘905 registration under 15 U.S.C. § 1119. *Id.*

Early in the litigation, a number of developments greatly reduced Nike’s concerns about the practical consequences of petitioner’s alleged infringement. For example, although initial reports in 2008 indicated that petitioner’s shoes would be widely available in major U.S. retail stores such as Nordstrom, Foot Action, and Finish Line, *id.* 112, only Finish Line carried petitioner’s shoes, and even it stopped carrying the shoes by April 2010.

In light of these developments, Nike concluded that petitioner’s activities were no longer significant enough to warrant the cost of litigation. Nike therefore issued petitioner a covenant not to sue. The covenant covered past, present, and future sales of any of petitioner’s prior and existing product designs and future colorable imitations thereof. Pet. App. 3a. The covenant thus “unconditionally” and “irrevocably” obligated Nike to:

refrain from making any claim(s) or demand(s), or from commencing, causing, or permitting to be prosecuted any action in law or equity, against [petitioner] . . . on account of any possible cause of action based

on or involving trademark infringement, unfair competition, or dilution, under state or federal law in the United States relating to the Nike Mark based on the appearance of any of [petitioner's] current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant.

Pet. App. 3a-4a, 24a; C.A. J.A. 94.

After delivering its covenant not to sue to petitioner, Nike moved in the district court to dismiss petitioner's counterclaim without prejudice. Nike explained that the covenant resolved any justiciable controversy between the parties, under Article III of the Constitution. *Id.* Nike then moved to dismiss its own infringement claims. Although petitioner readily consented to the dismissal of Nike's claims, it objected to the dismissal of its own counterclaim, arguing that despite the covenant, a live controversy persisted over the validity of Nike's mark. *Id.* 26a, 34a.

The district court disagreed and granted Nike's motion to dismiss petitioner's counterclaim. The court explained that under the Declaratory Judgment Act, it had the power to "declare the rights and other legal relations of any interested party seeking such declaration" only in "a case of actual controversy" within the meaning of Article III. Pet. App. 26a (quoting 28 U.S.C. § 2201(a)). Under this Court's decisions, the question is "whether the facts alleged, under all the circumstances, show that there is a

substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” Pet. App. 27a (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

The court began its application of that settled standard by observing that “[w]hether a covenant not to sue will divest the trial court of jurisdiction depends on what is covered by the covenant.” Pet. App. 29a (quoting *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1297 (Fed. Cir. 2009)). For example, a covenant that does not encompass a party’s future sales of existing products would not divest the court of jurisdiction. *Id.* 29a-30a. But in this case, the court found, the wording of Nike’s particular covenant “clearly applies to *future* sales of products that existed at the time of covenant.” *Id.* 32a (emphasis added). In addition, the covenant “also covers *future*, new products that would be ‘colorable imitations’ of any of [petitioner’s] previous or current footwear designs.” *Id.* (emphasis added).

The court interpreted “the phrase ‘colorable imitations’ in the March 19 covenant broadly” to include any design “similar to” the products petitioner had previously marketed. *Id.* 34a. As a consequence, although it was theoretically possible that “‘new or updated’ products could potentially infringe the Nike Mark *and* not be covered by the March 19 covenant,” *id.* 30a (emphasis in original) (quotation marks omitted), the court specifically found that there was “no indication that *any* of [petitioner’s] forthcoming models would extend beyond this broad language,” *id.* 31a (emphasis added). Based on this reading of this particular

covenant and its factual assessment of the realistic prospects of products that respondent might introduce, the court held that there was no Article III jurisdiction over petitioner's declaratory judgment counterclaim. *Id.* 34a.

Having found no constitutional authority to consider the case, the court rejected petitioner's argument that jurisdiction existed under the Lanham Act, 15 U.S.C. § 1119. *Id.*<sup>1</sup> The court explained that, even crediting petitioner's assertion that it was unfair to allow Nike to avoid a challenge to the validity of its trademark by issuing a covenant not to sue, "no amount of 'prudential reasons' or perceived increases in efficiency, however sound, can empower a federal court to hear a case where there is no extant case or controversy." Pet. App. 37a-38a (quoting *Dow Jones & Co., Inc. v. Abblaise Ltd.*, 606 F.3d 1338, 1348 (Fed. Cir. 2010)).

But petitioner was not left without an avenue to pursue its arguments. The court observed that petitioner remained free to "institute an administrative proceeding before the Patent and Trademark Office in order to seek cancellation of the 905 Registration." *Id.* 37a; see 15 U.S.C. § 1064 (authorizing a petition to cancel a trademark by "any

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<sup>1</sup> Section 1119 of the Lanham Act provides that "[i]n any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any party to the action." 15 U.S.C. § 1119.

person who believes that he is or will be damaged . by the registration of a mark”).

### **B. Court of Appeals Decision**

The Second Circuit unanimously affirmed. Pet. App. 2a. Like the district court, the Second Circuit concluded that after respondent issued this particular covenant not to sue, there was no longer any “actual case or controversy” between petitioner and Nike over the validity of Nike’s mark. Pet. App. 14a.

The court of appeals began by explaining that under this Court’s decision in *MedImmune Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007), a court has Article III jurisdiction to consider a declaratory judgment claim only when “the adversity of legal interests that exists between the parties is real and substantial and admits of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.” Pet. App. 11a-12a (internal quotation marks and alterations omitted). In this case, the court held, the wording of the covenant eliminated any real controversy between petitioner and Nike. “The language of the Covenant is broad, covering both present *and future* products,” “unconditionally and permanently.” *Id* (emphasis added) (internal quotation marks omitted). The “breadth” of the covenant therefore rendered “the threat of litigation remote or nonexistent even if [petitioner] continues to market and sell these shoes or significantly increases their production.” *Id*. Accordingly, the prospect of future infringement claims or litigation was, at best, a “hypothetical

possibility” – far from the kind of “definite and concrete’ dispute” necessary for Article III jurisdiction. Pet. App. 15a n.5 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937)).

The panel also rejected petitioner’s reliance on the Lanham Act. The court agreed with the Third and Federal Circuits that, “by its plain terms, an action under this provision requires that ‘a controversy as to the validity of or interference with a registered mark . . . exist before a district court has jurisdiction to grant the cancellation remedy.” Pet. App. 18a (quoting *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 873 (3d Cir. 1992), and citing *Windsurfing Int’l, Inc. v. AMF Inc.*, 828 F.2d 755, 758-59 (Fed. Cir. 1987)); see also MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 30:110 (4th ed. 2010) (Section 1119 “alone does not create grounds for federal jurisdiction”). Petitioner’s claim to the contrary, the court concluded, “ignores the settled rule that the ‘case-or-controversy requirement . . . subsists through all stages of federal judicial proceedings.” Pet. App. 19a (citation omitted). And here, the present case was “no longer ‘jurisdictionally supportable’ after the Covenant was delivered.” *Id.*

The court observed that petitioner cited the *dicta* of only one case – *Bancroft & Masters, Inc. v. Augusta National Inc.*, 223 F.3d 1082 (9th Cir. 2000) – to suggest a contrary reading of the Lanham Act. Pet. App. 19a. Before turning to its holding on a question of specific personal jurisdiction under California law, the Ninth Circuit in *Bancroft* cursorily rejected a “threshold argument” that the appellee’s “incomplete and qualified” offer during the appeal to promise to

waive its claims mooted the appeal of underlying claims seeking declarations of non-liability. 223 F.3d at 1085. The Ninth Circuit then stated in passing that “even if [the] promise [to waive the underlying liability claims] had been unqualified” a request to cancel the trademark registration under Section 1119 would not be moot because it was requested under a separate, non-declaratory judgment count. *Id.* The Second Circuit found petitioner’s citation to that passage unpersuasive because it was clearly *dicta* – the Ninth Circuit having just explained that the appeal was not moot because the appellee’s offer was incomplete and qualified – and because even the Ninth Circuit’s brief musing “failed to consider the language in § 1119 that renders the section remedial, not jurisdictional.” Pet. App. 19a.

### **REASONS FOR DENYING THE PETITION**

To avoid unnecessary litigation, Nike provided petitioner an irrevocable covenant worded in a fashion to protect petitioner from suit for any alleged violation of Nike’s trademark arising from past or future sales of petitioner’s previous and/or current products, as well as future colorable imitations thereof. Petitioner does not even *claim* that there is any realistic prospect that it will produce a product that would fall outside the scope of the covenant, yet be sufficiently similar to Nike’s trademarked products to give rise to a non-frivolous claim of infringement. The district court found, and the court of appeals affirmed, that in light of these facts, there was no longer any case or controversy between the parties.

This Court has repeatedly denied petitions challenging the use of covenants not to sue to resolve intellectual property disputes. See *Forest Labs., Inc. v. Caraco Pharm. Labs., Ltd.*, No. 08-624; *Nucleonics, Inc. v. Benitec Australia, Ltd.*, No. 07-1068; *Fort James Corp. v. Solo Cup Co.*, No. 05-712; *Chase Packaging Corp. v. Super Sack Mfg. Corp.*, No. 95-805; *Spectronics Corp. v. H.B. Fuller Co., Inc.*, No. 91-682.

There is no reason for a different outcome here. The alleged circuit conflict is illusory and the decision below is entirely consistent with the decisions of this Court. Moreover, adhering to established Article III constraints does not allow trademark holders to evade cancellation of unlawful registrations, as Congress has provided an administrative process that provides broad access to that remedy.

**I. The Decision Below Does Not Implicate Any Circuit Conflict Warranting This Court's Review.**

The petition should be denied because the court of appeals' decision implicates no circuit conflict that requires this Court's review. Indeed, although petitioner asserts that the decision below creates a circuit conflict in a variety of respects, each alleged conflict arises from petitioner's reading of *dicta* in a single decision from the Ninth Circuit issued more than a decade ago and never since cited in relevant respect by any other Ninth Circuit panel. In reality, no split exists.

**A. The Ninth Circuit's Decision In *Bancroft* Is Distinguishable In Multiple Respects.**

The petition's allegation of a circuit conflict hinges entirely on petitioner's characterization of *dicta* in the Ninth Circuit's decision in *Bancroft & Masters, Inc. v. Augusta National, Inc.*, 223 F.3d 1082 (9th Cir. 2000). In particular, petitioner claims *Bancroft* would compel the Ninth Circuit to hold that Nike's covenant not to sue did not divest the district court of jurisdiction to consider petitioner's counterclaim for a declaratory judgment of invalidity of Nike's trademark. Pet. 12-14. *Bancroft* provides no authority for that proposition, and it is distinguishable from the present case in a number of ways.

1. In *Bancroft*, Augusta National, Inc. (ANI) held several federally registered trademarks for the mark "Masters," as part of its sponsorship of the Masters professional golf tournament. 223 F.3d at 1084. It sued an accounting firm called Bancroft & Masters, Inc., for its use of the website domain name "masters.com." When ANI challenged Bancroft's use of that domain name, Bancroft filed a two-count complaint. The first count requested a declaratory judgment that its use of the domain name did not infringe upon or dilute ANI's trademark. *Id.* at 1085. The complaint "also requested in a separate count that the court order the cancellation of ANI's federally registered trademarks," as remedy for ANI's prior misuse of the trademark. *Id.*; see *Bancroft & Masters, Inc. v. Augusta Nat'l, Inc.*, 45 F. Supp. 2d 777, 779 (N.D. Cal. 1998).

Before the Ninth Circuit, the “principal issue” on appeal was “whether the district court in California has personal jurisdiction over the defendant, a Georgia corporation.” 223 F.3d at 1084. But before reaching that question, the court first briefly considered ANI’s assertion that the appeal had been “rendered moot because ANI has offered to waive all trademark infringement, dilution, and unfair competition claims against [Bancroft], so long as [Bancroft] stays out of the golf business.” *Id.* at 1085. The Ninth Circuit held that the offer, made after the district court had issued its judgment, did not moot Bancroft’s “request for a declaratory judgment that it is entitled to use the domain name.” *Id.*

The court’s brief discussion of this “threshold argument” was limited to the precise language of the promise proposed by ANI on appeal. The court did not hold that a covenant not to sue could *never* terminate jurisdiction over a trademark dispute. Instead, the court examined the particulars of the offer in the case before it and concluded that the proposed promise was insufficient because it was “incomplete and qualified.” *Id.* In particular, ANI left open the possibility that it might “seek to prevent [Bancroft] from using its domain name in the future,” if it entered the “golf business.” *Id.*

Having resolved the threshold issue of mootness of the appeal pending before it, the court stated in passing that “even if ANI’s promise had been unqualified, it would not have mooted [Bancroft’s] separate request for cancellation of ANI’s ‘Masters’ trademarks.” *Id.* The court explained that this was because the complaint contained a count separate from the count seeking a declaration of non-liability.

*Id.* Thus, even if the settlement offer to forgo future infringement claims had mooted the first count's request for a declaratory judgment, the complaint also separately sought cancellation of the trademark as a retrospective remedy for ANI's prior misuse of the trademark.

Accordingly, the Ninth Circuit's *dicta* stated, even an adequate promise not to bring future infringement claims would not moot the case entirely because the "trademark cancellation count is separate from the declaratory judgment count in the complaint and does not appear to be obviously meritless." *Id.* And because the complaint would continue to contain a live claim for past misuse, the court remarked, the "Lanham Act authorizes district courts to order trademark cancellation in any action involving a registered mark." *Id.* (citing 15 U.S.C. § 1119).

2. There is no circuit conflict, because the Ninth Circuit in *Bancroft* faced a very different case than this one.

First, the offer of settlement on appeal in *Bancroft* bears scant resemblance to the broad, irrevocable, and immediately effective covenant not to sue in this case. The settlement offer in *Bancroft* was just that – a settlement offer that had not yet been accepted, and therefore was not binding on the trademark holder at the time of the asserted mootness. Nike's offer was immediately effective, unqualified, and judicially enforceable. Petitioner may dispute the lower courts' characterization of the covenant in this case, but that fact-bound claim creates no basis for certiorari in this Court.

Second, the Ninth Circuit's remark that the case before it would not have been moot even if the offer had been unqualified is of no help to petitioner here. For one thing, as the Second Circuit observed, and petitioner does not seriously contest, this musing was entirely *dicta*, the Ninth Circuit having just explained that the appeal was not moot because ANI's post-judgment promise was "incomplete and qualified." 223 F.3d at 1085.

Third, even the Ninth Circuit's *dicta* have no application to this case. The Ninth Circuit simply surmised that the challenger's request for cancellation as a remedy for past trademark misuse could proceed even if an effective promise not to sue would have mooted the challenger's independent request for a "declaratory judgment that it is entitled to use the domain name." *Id.* In other words, even a promise not to bring *future* infringement suits would not moot a claim seeking a remedy for *past* trademark misuse. But in this case, petitioner brought no independent claim of trademark misuse that would survive the termination of jurisdiction over its request for prospective relief under the Declaratory Judgment Act. *See* Pet. App. 3a.

Fourth, the justiciability question in *Bancroft* arose in a different context. In this case, Nike issued its covenant early in the litigation in the district court to extinguish claims arising solely under the Declaratory Judgment Act. Pet. App. 23a, 39a. The settlement offer in *Bancroft* was proposed after final judgment in the district court, while the case was pending on appeal. 223 F.3d at 1084. Nor was the complaint in that case limited to claims under the Declaratory Judgment Act, *Bancroft* having included

a separate claim for trademark misuse. *Id.* Unless and until the Ninth Circuit confronts the same justiciability question decided by the Second Circuit here, petitioner can only speculate as to how the Ninth Circuit might hold.

Because *Bancroft* is thus distinguishable from this case in multiple dimensions, petitioner's reliance on *dicta* from that decision to assert a multifaceted circuit conflict has no prospect of success. Indeed, as discussed next, it fails at every turn.

**B. There Is No Circuit Conflict Over Whether A Sufficiently Broad Covenant Not To Sue Terminates Jurisdiction To Adjudicate A Declaratory Judgment Claim Alleging Invalidity Of A Trademark.**

In its broadest passages, the petition implies that there is a conflict between the Second and Federal Circuits, on the one hand, and *Bancroft*, on the other, over whether a covenant not to sue can deprive a court of jurisdiction to consider a request to cancel a trademark. *See* Pet. 12. That suggestion has no merit.

Whether a covenant not to sue terminates jurisdiction to decide the validity of a trademark or other intellectual property right is a question that rarely arises in the courts of appeals. The issue arises almost exclusively in patent litigation in the Federal Circuit, which has long applied the same rule adopted by the Second Circuit in this case. *See, e.g., Dow Jones & Co., Inc. v. Abblaise Ltd.*, 606 F.3d 1338, 1346 (Fed. Cir. 2010) (describing the "line of cases" holding "that a covenant not to sue for patent

infringement divests the trial court of subject matter jurisdiction over claims that the patent is invalid, because the covenant eliminates any case or controversy between the parties”); *King Pharms., Inc. v. Eon Labs, Inc.*, 616 F.3d 1267, 1282 (Fed. Cir. 2010) (holding that “broad and unrestricted covenants not to sue . . . for infringement . . . remove any case or controversy that may have existed between the parties at one point”); *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1347-48 (Fed. Cir. 2007) (same).

As petitioner explains, the question hypothetically could arise in other contexts outside the Federal Circuit. Pet. 19. But in reality, it simply has not. Indeed, petitioner identifies only two even potentially relevant decisions from other circuit courts – the Ninth Circuit’s decision in *Bancroft*, and the decision below. See Pet. 13.

Even if such a shallow conflict on such an infrequently recurring question otherwise warranted review, the asserted conflict is a mirage. As discussed, before turning to the “principal issue” before it – personal jurisdiction – *Bancroft* resolved a “threshold argument” that the trademark dispute before it remained live despite the settlement offer in that case because the offer was “incomplete and qualified,” not because it somehow concluded that a comprehensive and unqualified covenant not to sue could *never* terminate jurisdiction over a trademark dispute. 223 F.3d at 1084-85.

Thus, in the years after *Bancroft*, courts within the Ninth Circuit have routinely held that “[a] court should dismiss an intellectual property suit for a declaratory judgment as moot when the defendant

releases the plaintiff from all liability based on plaintiff's allegedly infringing activities." *Shloss v. Sweeney*, 515 F. Supp. 2d 1068, 1078 (N.D. Cal. 2007).<sup>2</sup> The Ninth Circuit has never called those decisions into question, much less accepted petitioner's argument in this case.

Petitioner attempts to suggest that courts within the Ninth Circuit have misunderstood their own case law, pointing to the *dicta* in *Bancroft* stating that the cancellation request in that case could have gone forward even if ANI's promise had been unqualified. Pet. 10. But as explained above, petitioner misreads the Ninth Circuit's discussion, which turned on the existence of an independent claim for past trademark misuse, a claim that would not have been remedied

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<sup>2</sup> See also, e.g., *Sunshine Kids Juvenile Prods., LLC v. Indiana Mills & Mfg., Inc.*, No. C10-5698BHS, 2011 WL 862038 (W. D. Wash. Mar. 9, 2011) (covenant not to sue mooted trade dress declaratory judgment action); *Global DNS, LLC v. Kook's Custom Headers, Inc.*, No. C08-0268RSL, 2008 WL 4380439, at \*3-\*4 (W.D. Wash. Sept. 22, 2008) (dismissing the plaintiff's request for cancellation where it was the "sole basis" for declaratory relief after the court dismissed the plaintiff's other claims for lack of an actual controversy in view of the defendant's covenant not to sue); *Nike, Inc. v. Adidas Am., Inc.*, No. 05-CV-541-BR, 2006 WL 3716754, \*4-\*6 (D. Or. Dec. 14, 2006) (same for trademark claim); *Paramount Pictures Corp. v. Replay TV*, 298 F. Supp. 2d 921, 926-27 (C.D. Cal. 2004) (same for copyright claim); cf. also, e.g., *RB Rubber Products, Inc. v. ECORE Int'l, Inc.*, No. 3:11-cv-319-AC, 2012 WL 860416, at \*6 (D. Or. Mar. 13, 2012) (noting that under Federal Circuit precedent, in "patent litigation, a covenant not to sue for infringement divests a court from hearing claims for declaratory judgment that the patent is invalid or otherwise unenforceable").

by any promise not to seek to enforce the trademark in the future. Thus, the Ninth Circuit observed that Bancroft's complaint included a count for alleged trademark misuse and the court restated the well-known and commonly applied refrain that Section 1119 of the "Lanham Act authorizes district courts to order trademark cancellation in any action involving a registered mark." *Bancroft*, at 1085. Because petitioner's request for cancellation in this case was requested solely as a request under a Declaratory Judgment Act count, petitioner's discussion of *Bancroft's dicta* has no application here.

Tellingly, the Ninth Circuit itself has never again referred to, let alone applied, the passage in *Bancroft* upon which petitioner relies. At the very least, *Bancroft* falls far short of establishing an entrenched circuit conflict warranting this Court's review. As mentioned, this Court has repeatedly denied certiorari challenging the Federal Circuit's covenant decisions, before and after the Ninth Circuit's decision in *Bancroft*. And because the language upon which petitioner relies is *dicta*, it does not preclude a future panel of the Ninth Circuit from accepting the well-reasoned view of its sister circuits. Until some circuit squarely addresses and rejects that settled authority, there is no reason for this Court to intervene.

**C. There Is No Conflict Over Whether A Covenant Limited To “Then-Existing Commercial Activities” Is Sufficient To Terminate Article III Subject Matter Jurisdiction Over A Request For A Declaratory Judgment, Nor Does That Question Arise On The Facts Of This Case.**

Petitioner also suggests that the decision below conflicts with *Bancroft* on the narrower question of what counts as a sufficiently broad covenant not to sue, insinuating that the Ninth Circuit would have found Nike’s covenant inadequate because it “was limited to products that petitioner had made or sold prior to” the covenant’s effective date. Pet. 14. Given the inevitable variations in the details of covenants from case to case, such a fact-bound disagreement would not warrant this Court’s attention even if the circuit conflict was real. But in this case, petitioner’s allegation of a circuit conflict is founded on a false premise: as both the district court and court of appeals found, Nike’s covenant was not limited to petitioner’s “then-existing commercial activities.” Pet. i.

By its terms, the covenant expressly extends to *future* sales of petitioner’s existing or past products, promising not to sue over “sales of [petitioner’s] current and/or previous footwear product designs . . . whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce *before or after* the Effective Date of this Covenant.” Pet. App. 4a (emphasis added); *see also* C.A. J.A. 94. Second, the covenant applies not only to past or current designs, but also to “any colorable

imitations" petitioner may develop in the *future*. Pet. App. 3a-4a; C.A. J.A. 94

The district court found "no indication that any of [petitioner's] forthcoming models would extend beyond this broad language." Pet. App. 31a. The Second Circuit likewise concluded that, "[g]iven the similarity of [petitioner's] designs to the '905 mark and the breadth of the Covenant, it is hard to imagine a scenario that would potentially infringe the '905 mark and yet not fall under the Covenant." Pet. App. 14a. Petitioner does not contest that conclusion. It "has not asserted any intention to market any such shoe," *id.*, or even claimed that it would be possible to design a shoe that would fall outside of the covenant yet be subject to a non-frivolous claim of infringement.

Accordingly, the question presented by the petition – whether a covenant limited to "then-existing commercial activities" can eliminate an Article III case or controversy, Pet. i – is premised on a fact-bound disagreement with concurrent findings of the district court and court of appeals, and does not actually arise on the facts of this case. The petition should be denied on that ground alone.

**D. This Case Does Not Present Any  
Certworthy Conflict Over The Standard  
For Finding A Declaratory Judgment  
Action No Longer Justiciable.**

The petition also asserts that the Second and Ninth Circuits applied different legal tests to decide whether a covenant deprives a court of jurisdiction to decide a claim for declaratory relief. Pet. 14. In doing so, petitioner argues that the Second Circuit

should have assigned Nike the burden of proving the absence of jurisdiction. *Id.* This alleged conflict provides no basis for certiorari either.

First, petitioner mischaracterizes the Second Circuit's decision. The court did not hold that a declaratory judgment is permissible only if there is an "actual or threatened claim for alleged infringement." Pet. 14. Instead, it held that this case was no longer justiciable because given the scope of the covenant, there was no realistic prospect that such a threat could *ever* arise. Pet. App. 14a.

Second, the question presented does not, in any event, ask this Court to decide the proper standard for assessing justiciability in light of a covenant not to sue. Instead, it asks the Court to decide whether such covenants are *categorically* precluded from divesting a court of Article III jurisdiction when limited to a challenger's "then-existing commercial activities." Pet. i.

Third, the burden of proof and precise articulation of the justiciability standard make no difference in this case and are unlikely to be important to the resolution of any other material number of other cases. In this case, the Second Circuit correctly found that the "breadth of the Covenant renders the threat of litigation remote or nonexistent." Pet. App. 14a. Because the covenant is irrevocable and comprehensive, it is "absolutely clear," Pet. 14, that petitioner faces no realistic prospect of injury from Nike's trademark.

Nor is the precise standard likely to matter in any other covenant case. As this Court has explained, even under the "voluntary cessation"

mootness standard, a case will be moot “if the defendant can demonstrate that there is no reasonable expectation that the wrong will be repeated.” *United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953) (internal quotation marks omitted). A broad and irrevocable covenant not to sue necessarily meets that standard.

**E. No Question Regarding Section 1119 Of The Lanham Act Is Raised By The Petition Or Warrants The Court’s Review.**

Finally, there is no reason to grant certiorari in this case in light of the disagreement alleged by the petition between the Second and Ninth Circuits over the scope of Section 1119 of the Lanham Act.

In the Second Circuit, petitioner drew on the *dicta* from *Bancroft* to argue that Section 1119 authorized a court to cancel a trademark even if Nike’s covenant not to sue eliminated any justiciable controversy under the Declaratory Judgment Act. The Second Circuit disagreed with this view of the statute, explaining that Section 1119 provides a cancellation remedy in an ongoing trademark action, but does not create an “independent basis for federal jurisdiction” that would survive dismissal of petitioner’s original claim for a declaratory judgment. Pet. App. 18a.

As described above, petitioner mischaracterizes the Ninth Circuit’s discussion of the Lanham Act in *Bancroft*. In *Bancroft*, there was an “independent basis” for federal jurisdiction: the alleged past misuse of the trademark, for which cancellation was the desired remedy. Accordingly, the Second Circuit’s

disagreement with the conclusion petitioner wrongly drew from *Bancroft's dicta* does not in fact conflict with what the Ninth Circuit actually said in that case. To the contrary, these courts are in accord – as are their sister courts – regarding the remedial (not jurisdictional) nature of Section 1119. See *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 873 (3d Cir. 1992); *Windsurfing Int'l, Inc. v. AMF Inc.*, 828 F.2d 755, 758-59 (Fed. Cir. 1987); MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 30:110 (4th ed. 2010) (“[Section 1119] alone does not create grounds for federal jurisdiction.”).

In any event, the proper interpretation of Section 1119 falls well outside the scope of the question presented. The petition asks this Court to decide solely a constitutional question of justiciability – whether a certain kind of covenant not to sue divests a district court “of Article III jurisdiction.” Pet. i. It does not ask the Court to decide any question regarding the *statutory* basis for jurisdiction or relief. The two questions are entirely unrelated. In the absence of an Article III case or controversy, it makes no difference whether Congress has authorized a cancellation claim to move forward under the Lanham Act, because Congress has no constitutional authority to permit district courts to hear claims that involve no controversy within the meaning of Article III.

For that reason, resolving the statutory question would also make no difference to the outcome of this case. Even if Section 1119 provided petitioner a statutory right to continue cancellation proceedings, the Constitution would prevent the district court

from adjudicating the claim for lack of a live case or controversy within the meaning of Article III.

## II. The Decision Below Is Correct.

Finally, certiorari is unwarranted because the Second Circuit correctly affirmed the district court's conclusion that it had no jurisdiction to consider petitioner's request for cancellation of Nike's trademark.

1. A party may seek a declaratory judgment only if there is a dispute between the parties that is "definite and concrete, touching the legal relations of parties having adverse legal interests" and if the controversy is "real and substantial." *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007) (citation and quotation marks omitted). "Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Id.* (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

Under that standard, the dismissal of an infringement claim does not automatically terminate jurisdiction over a counterclaim seeking cancellation of a trademark. See *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 102-03 (1993). But by the same token, the fact that cancellation is requested as a remedy for a counterclaim or as a remedy in a declaratory judgment action does not absolve the court of its duty to ensure that "an actual controversy must be extant at all stages of review, not merely at the time the complaint is filed." *Preiser v. Newkirk*,

422 U.S. 395, 401 (1975) (citations omitted); *see also* *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 242 (1937) (courts obligated to guard against advisory opinion); *Cardinal*, 508 U.S. at 94 (“The requirements of case or controversy are of course no less strict under the Declaratory Judgments Act.”) (citation and quotation marks omitted); *Dow Jones v. Abblaise Ltd.*, 606 F.3d 1338, 1345 (Fed. Cir. 2010) (burden remains on the party seeking declaratory judgment to establish that a justiciable case or controversy exists throughout the dispute).

Here, the only injury petitioner claims arises from the possibility of hypothetical future infringement litigation. *See* Pet. 17 (asserting that Nike may use the “registration for possible use against future lines of petitioner’s products”).<sup>3</sup> But as the district court and Second Circuit both found, the covenant not to sue effectively protects petitioner from that prospect. Petitioner cannot satisfy Article III through mere “speculation and conjecture” that Nike may someday threaten an infringement suit despite the clear terms of the covenant. *Whitmore v. Arkansas*, 495 U.S. 149, 158 (1990) (citation omitted).

2. Petitioner’s contrary assertions are without merit. Petitioner spills much ink purporting to establish a *statutory* basis for jurisdiction over its counterclaim seeking cancellation of Nike’s trademark. Pet. 15-16 (claiming to qualify under the

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<sup>3</sup> Petitioner also alleged below that the covenant itself was a “continuing libel” against petitioner. Pet. App. 16a. The Second Circuit rejected that meritless claim, *id.*, and petitioner abandons it in this Court.

provisions establishing federal question jurisdiction, 28 U.S.C. § 1331, supplemental jurisdiction, *id.* § 1367(a), and a cancellation remedy under the Lanham Act, 15 U.S.C. § 1119). But all of that is beside the point. The Second Circuit dismissed the case because there was no Article III case or controversy; the existence of hypothetical statutory jurisdiction was immaterial. Pet. App. 2a (explaining that the court would “affirm” the district court’s dismissal of petitioner’s claims seeking cancellation remedy “because no case or controversy existed under Article III”).

Petitioner likewise is battling a straw man when it claims that the “decision below conflicts with longstanding contrary precedent” by “holding that respondent’s abandonment of its own claims divested the district court of jurisdiction to hear petitioner’s compulsory counterclaim.” Pet. 15 (citing *Moore v. New York Cotton Exch.*, 270 U.S. 593, 607-10 (1926)). The court of appeals held that the *covenant not to sue* – not Nike’s “abandonment of its own” infringement claims – divested the court of jurisdiction over petitioner’s counterclaim. See Pet. App. 14a, 19a.

Nor did this Court’s decision in *Cardinal Chemical* license courts to dispense with the Article III case or controversy requirement in trademark cancellation cases. *Contra* Pet. 17. In *Cardinal*, this Court disapproved the Federal Circuit “practice of routinely vacating declaratory judgments regarding patent validity following a determination of noninfringement.” 508 U.S. at 89. The Court held that an intermediate appellate court is not automatically divested of jurisdiction to review a district court’s finding of invalidity when it concludes

that there was no infringement. *See id.* at 102.<sup>4</sup> But the Court did not go further and hold that a court *always* retains jurisdiction to decide a counterclaim, even if intervening events remove any prospect of injury from the patent. To the contrary, the Court expressly held that if there was a “material change in circumstances that entirely terminated the party’s controversy,” jurisdiction over the case (including the invalidity counterclaim) would be eliminated. *Id.* at 98. That is precisely what happened in this case: Nike’s broad, binding covenant not to sue entirely terminated any controversy between it and petitioner regarding the validity of Nike’s trademark.

3. Petitioner complains that enforcing ordinary Article III requirements in this context is contrary to sound public policy, which should encourage elimination of unlawfully registered trademarks. Pet. 12, 19-20. This is a complaint with Article III, not the decision below. This Court has long held that Article III does not allow a plaintiff to bring a suit solely to vindicate a generalized public interest in enforcement of the law, or to assert the rights of

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<sup>4</sup> The Court reasoned that because the Federal Circuit “is not a court of last resort,” it maintained jurisdiction to review the district court’s invalidity holding, given that this Court might subsequently grant review, reverse the finding of no infringement, and therefore be called upon to decide the validity question. *Cardinal*, 508 U.S. at 97. That reasoning does not help petitioner. Unlike a lower court’s finding of noninfringement, a covenant not to sue is final and irrevocable. There was, therefore, no need to resolve petitioner’s counterclaim for possible consideration in an appeal Nike would never take.

strangers. See, e.g., *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 575 (1992) (Article III does not permit a suit resting upon a “generalized grievance” or an injury that is “undifferentiated and ‘common to all members of the public’”) (citation omitted).

Moreover, the objection rings particularly hollow in the trademark context. Congress has provided an administrative mechanism to seek cancellation of trademarks that is open to anyone who “believes that he is or will be damaged . . . by the registration.” 15 U.S.C. § 1064. See also *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 202 (1985). Petitioner has chosen not to take advantage of that opportunity, but offers no reason why the administrative process is inadequate to fulfill the public interest in policing the validity of registered marks.<sup>5</sup>

Nor is there anything nefarious about resolving litigation through a covenant not to sue. Nike’s covenant provided petitioner the equivalent of the protection it would have received had it prevailed in the litigation. At the same time, it spared the parties and the district court the expense and inconvenience of litigation in an already overburdened judicial system.

There is no evidence that Nike brought this suit to “inflict heavy costs on a rival business” and then issued a covenant not to sue in the face of “unexpected resistance” to avoid a “prompt or cost-

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<sup>5</sup> Congress also provided parties like petitioner with a right to oppose a trademark registration even before the registration becomes official, 15 U.S.C. § 1063, but petitioner did not oppose Nike’s ‘905 registration.

effective test of the validity of the asserted registration." Pet. 14-15. To the contrary, Nike issued the covenant early in the case, before any dispositive motions had been filed, depositions held, or documents produced by petitioner. It did so because it determined that petitioner failed to establish a significant market for its infringing product, not because of any "unexpected resistance." And petitioner cannot seriously claim that a full trial before the district court, with years of inevitable appeals, would be more "prompt or cost-effective" than the administrative process Congress provided for challenging the validity of trademarks.

If anything, it is petitioner's position that would permit litigants to game the system, bringing meritless cancellation claims against successful trademarks and patents, not to protect their own businesses, but rather to extract lucrative *in terrorem* settlements.

**CONCLUSION**

For the foregoing reasons, the petition for a writ of certiorari should be denied.

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June 4, 2012

# **REPLY BRIEF**

RECORD  
AND  
BRIEFS

No. 11-982

Supreme Court, U.S.  
FILED

JUN 08 2012

OFFICE OF THE CLERK

IN THE

**Supreme Court of the United States**

ALREADY, LLC d/b/a YUMS,

*Petitioner,*

*v.*

NIKE, INC.,

*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

**REPLY BRIEF**

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The petition for certiorari presents a straightforward situation in which two circuit courts have confronted the identical constitutional issue, have applied different legal tests to resolve that issue, and have reached different results in the specific context of a trademark case. Moreover, the later of the two circuit courts—the court below—expressly disagreed with the reasoning of the earlier circuit court. Those two circuits (the Ninth and Second) have the largest trademark dockets, together accounting for nearly half of the nation’s trademark cases. The relevant constitutional issue has also arisen in patent cases and has divided the judges of the Federal Circuit along precisely the same lines as the circuit split.

Respondent begins its brief in opposition by inaccurately reframing the question presented, and the inaccuracies continue thereafter. Among respondent’s most strikingly inaccurate assertions is its claim that courts within the Ninth Circuit supposedly have “routinely” declined to follow the Ninth Circuit decision in *Bancroft & Masters, Inc. v. Augusta National, Inc.*, 223 F.3d 1082 (9<sup>th</sup> Cir. 2000). See Opp. at 17. Yet not one of respondent’s citations—neither in the text, nor in the footnote—stands up to scrutiny. Respondent’s opposition brief is, in a word, unreliable.

1. *Respondent misstates the question presented.* Respondent’s restated question wrongly suggests that this case is a “declaratory judgment suit.” Opp. at i. It is not. This is an *infringement* suit that respondent initiated, and in which petitioner interposed a compulsory counterclaim challenging the validity of the federal trademark registration that respondent’s complaint had asserted. The question (as cor-

rectly stated in the petition) is thus whether respondent's unilateral abandonment of its claims "divested" the district court of Article III jurisdiction over petitioner's compulsory counterclaim. Pet. at i.

The significance of this first inaccuracy goes to the heart of the conflict in the lower courts. Under the Ninth Circuit's approach, a district court is not divested of its pre-existing jurisdiction in such circumstances "unless it is absolutely clear that the defendant will never renew its allegedly wrongful behavior." *Bancroft*, 223 F.3d at 1085. This "absolutely clear" test comes directly from this Court's mootness jurisprudence. See *United States v. Concentrated Phosphate Export Ass'n*, 393 U.S. 199, 203 (1968) (articulating the "absolutely clear" test)). By contrast, the Second Circuit's approach does not apply this Court's mootness jurisprudence, but applies the standard for determining whether a declaratory judgment plaintiff has established jurisdiction initially. Indeed, the decision below mentions mootness only in a paragraph that expressly disagrees with the reasoning of *Bancroft*. Pet. App. 19a.

The difference between the standard for mootness and that for establishing initial declaratory judgment jurisdiction is also precisely the basis for the conflict in opinions in the parallel context of patent infringement cases. As Judge Dyk clearly explained in his dissenting opinion in *Benitec Australia, Ltd. v. Nucleonics, Inc.* 495 F.3d 1340 (Fed. Cir. 2007) (Dyk, J., dissenting), "a different test for determining whether there is a case or controversy applies when the allegation of infringement is withdrawn during the course of litigation," *id.* at 1350; that "different test" comes from Supreme Court

precedent on mootness, *id*; and “the majority’s approach erroneously applies the same standard for judging continuing declaratory jurisdiction as for judging original declaratory jurisdiction.” *Id.* at 1351.

Respondent’s restated question presented also glosses over the important point that the petitioner’s counterclaim presents a “challenge to the validity” of respondent’s trademark (Pet. at i) and does not seek merely a declaration of *noninfringement*. Again, the omission is significant. This Court’s precedents have repeatedly emphasized the public importance of resolving questions of the validity of claimed intellectual property rights. *See, e.g., Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 100 (1993). But respondent’s misstated question misses more than just that policy point. Where a pre-existing controversy concerns *only* the question whether a *certain* activity *infringes* an admittedly valid trademark, a covenant not to challenge *that* activity *does* render the infringement question moot.

An example is provided by *Nike, Inc. v. Adidas America, Inc.*, No. 05-CV-541-BR, 2006 WL 3716754 (D. Or. Dec. 14, 2006), which is cited by respondent. In that case, the plaintiff sought a declaratory judgment that its sale of certain shoe products did not infringe a trademark (Adidas’s three stripe mark) whose validity was unchallenged. *See id.* at \*1. In such a case, a registrant’s covenant not to sue leaves the court with nothing left to adjudicate unless it is willing to “speculate as to whether future designs or patterns created by [the plaintiff] might infringe [the defendant’s] trademark.” *Id.* at \*6. By contrast, a registrant’s covenant not to sue does nothing to render moot a counterclaim challenging the *validity*

of an asserted registration, and under the Ninth Circuit approach, such a counterclaim cannot be dismissed unless it is "absolutely clear" that allegedly invalid trademark would not be asserted again.

2. *The courts in the Ninth Circuit are not ignoring Bancroft.* Once respondent's erroneous misstatement of the question presented is rejected, it is easy to see through respondent's extraordinary claim that the courts in the Ninth Circuit are "routinely" declining to follow the Ninth Circuit's decision in *Bancroft*. Opp. at 17-18 & n.2. Extraordinary claims require extraordinary evidence, but here respondent has not a shred.

In none of the cases cited by respondent did a court hold that the case had been rendered moot (and thus the court divested of pre-existing jurisdiction) despite a continued challenge to the validity of the asserted intellectual property right. In the case cited in the text and the first two cases in the footnote (Opp. at 18 & n.2), the courts were deciding whether declaratory judgment plaintiffs had established jurisdiction *initially* (and in two of the three cases, the courts held the covenants not to sue did not defeat jurisdiction). The third and fourth cases in the footnote (*Nike and Paramount Pictures Corp. v. Replay TV*, 298 F. Supp. 2d 921 (C.D. Cal. 2004)) involved no challenges to the validity of the underlying intellectual property rights. And the last case in the footnote is a patent case governed by Federal Circuit, not Ninth Circuit, law.

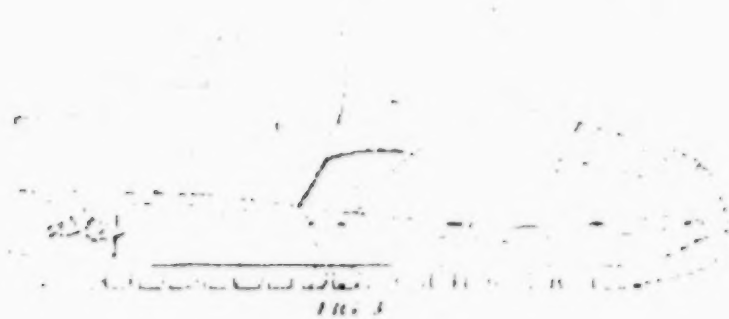
The respondent's failure to cite any case whatsoever to support its claim of intra-circuit defiance shows that the courts, and the parties, understand Ninth Circuit law. Trademark owners understand

that, when they invoke federal court jurisdiction by bringing an infringement action in the Ninth Circuit, they cannot avoid challenges to the validity of their trademark rights merely by giving up on their existing infringement claims.

3. *The Article III jurisdictional issue here is not fact-bound.* Respondent wrongly claims that the petition presents merely a fact-bound issue concerning the precise scope of the wording of respondent's covenant not to sue. The Second and Ninth Circuit plainly applied different *standards* to resolve the jurisdiction issue, with the Ninth Circuit correctly applying the "absolutely clear" standard from this Court's mootness precedents and the Second Circuit incorrectly applying the standard applicable for deciding whether declaratory judgment jurisdiction initially exists.

The facts of the case serve only to highlight the importance of the difference. In *Bancroft*, Augusta National waived all trademark claims against Bancroft excepting only trademark claims that might arise in the future if Bancroft went into "the golf business." 223 F.3d at 1085. Bancroft was "a small California corporation that sells computer and networking products and support services," and there was no evidence in the case that it had any plans to enter the golf business. *Id.* at 1084-85. Still, the Ninth Circuit held that Augusta's waiver did not render the case moot because Augusta—not Bancroft—bore the burden of "showing that it is absolutely clear that it will never seek to prevent B & M from using its domain name in the future." *Id.* at 1085.

By contrast, petitioner and respondent are direct competitors in the athletic shoe business, and respondent's covenant applies only to shoe products that existed prior to March 19, 2010, and "colorable imitations" thereof. Petitioner was sued for selling shoes that embody the design below:



Under the covenant, if petitioner markets a new shoe that does not look like a colorable imitation of the above shoe—if, in other words, petitioner brings out a shoe that looks like a *new* shoe—then all bets are off, and the respondent is free to re-assert the so-called “trademark” depicted below:



Given the nature of respondent's alleged trademark (structural shoe features devoid of anything like a swoosh mark), it is easy to see why the '905 Registration significantly constrains petitioner's freedom to design and sell new athletic shoe styles.

The Ninth and Second Circuit standards also differ as to which party bears the burden of proof. This difference is extremely important, as Judge Dyk's dissent correctly recognized in the parallel patent context. See 495 F.3d at 1352. No competitor already a defendant in an infringement case is going to want to put in "record evidence that [it] intends to make any arguably infringing shoe," as the Second Circuit's test requires (Pet. App. 15a n.5). That standard puts the accused infringer into the untenable position of arguing that it "intends" to produce shoes that are "arguably infringing." Such argumentation would not only undermine the defendant's ability to argue that its planned new shoes are not in fact infringing if the trademark is upheld, but would also increase its exposure to enhanced damages or attorneys fees under 15 U.S.C. § 1117(a).

4. *The Ninth Circuit's holding on the cancellation claim is not dictum.* The split between the Ninth and Second Circuit is established even without the Ninth Circuit alternative holding concerning the cancellation claim. It is nonetheless worth noting that respondent errs in characterizing the Ninth Circuit's reasoning on the cancellation claim as dictum.

The Ninth Circuit gave two independent reasons for sustaining jurisdiction in *Bancroft*. As this Court has held, where a case "might have been decided on either of two independent grounds favorably to [one party]" and the court resolves the case on both

grounds, "the judgment rest[s] as much upon the one determination as the other" and the precedent "is effective for both." *Massachusetts v. United States*, 333 U. S. 611, 623 (1948).

Under the legal standard applied in *Bancroft*, the scope of a registrant's covenant not to assert a registered mark is irrelevant to Article III jurisdiction to hear a challenge to the registration's validity, because an invalid registration can, of its own force, operate as a "scarecrow." *Cardinal Chem.*, 508 U.S. at 96 (quoting *Bresnick v. United States Vitamin Co.*, 143 F.2d 239, 242 (2d Cir. 1943) (L. Hand, J.)).

Nothing in *Bancroft* supports respondent's assertion (Opp. at 24) that the Ninth Circuit reached the wrong result on an Article III issue because the judges were under the misimpression that the statute authorizing federal courts to award cancellation relief, 15 U.S.C. § 1119, was "jurisdictional." The issue in *Bancroft* and in this case is a constitutional issue, and no statute can modify or alter the requirements of the Constitution. It is bizarre to suggest that the judges of the Ninth Circuit sub silentio based their constitutional analysis on the semantic characterization of a statute.

Also baseless is respondent's assertion that "the Ninth Circuit simply surmised that the challenger's request for cancellation [w]as a remedy for past trademark misuse." Opp. at 15. In fact, *Bancroft* nowhere says this or even mentions the word "misuse." Similarly unreliable and irrelevant is respondent's argument that the covenant in *Bancroft* was given "post-judg-ment." Opp. at 15. Again, the Ninth Circuit did rely at all on that circumstance, and with good reason: The district court had simply dismissed

the case for lack of personal jurisdiction and the Ninth Circuit was reversing that ruling. The case was thus going back down for trial, and nothing in the Ninth Circuit opinion suggests that on remand the trademark owner could get a different result merely by renewing its promise not to assert the allegedly invalid registration at issue.

5. *Considerations of administrative law support granting certiorari.* Respondent repeatedly points to administrative cancellation as an alternative remedy, but administrative law provides additional reasons for granting, not denying, certiorari.

First, the doctrine of exhaustion of administrative remedies formed no part of the Second Circuit's ruling, nor could it have. The exhaustion doctrine is founded on "the general rule that parties exhaust prescribed administrative remedies *before seeking relief from the federal courts.*" *McCarthy v. Madigan*, 503 U.S. 140, 144-45 (1991) (emphasis added). That doctrine is simply inapplicable where, as here, a party is haled into federal court as an infringement defendant.

Second, if the Second Circuit ruling is correct, then the petitioner would be unable to establish Article III jurisdiction to obtain judicial review of a PTO decision not to cancel the challenged registration. Worse still, the availability of judicial review would be asymmetric, with the respondent able but the petitioner unable to obtain review. The Second Circuit's holding thus makes the administrative process wildly unattractive: the petitioner would be relegated to the agency that made the allegedly unlawful registration with merely the possibility that

the agency might change its mind and no hope of judicial scrutiny if it does not.<sup>1</sup>

Finally, administrative law precedents confirm that there are “critical” differences between the standards for initial standing and mootness, *Friends of the Earth, Inc. v. Laidlaw Envtl. Servs., Inc.* 528 U.S. 167, 180 (2000), and that, at a minimum, the differences encompass “realistic evidentiary presumptions.” *Id.* at 214 (Scalia, J., dissenting). The difference between initial standing and mootness—and especially the different “evidentiary presumptions” that apply to the two situations—go to the heart of the circuit split in the trademark context and to the key division between the judges of the Federal Circuit in the patent context.

6. *The patent cases cited by respondent, to the extent relevant, provide a reason in favor of granting certiorari.* In the second paragraph of its opposition, respondent cites five cases to support the broadly stated proposition that “[t]his Court has repeatedly denied petitions challenging the use of covenants not to sue to resolve *intellectual property disputes*.” Opp. at 11 (emphasis added). All five of these cases represent one species of “intellectual property disputes”—they are *patent cases* coming from the Federal Circuit. Because the Federal Circuit has exclu-

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<sup>1</sup> As a direct competitor of respondent in the athletic footwear business, petitioner is a target of the governmental regulation at issue here, not merely some collateral beneficiary of regulation and certainly not, as respondent inaccurately claims, merely an interested member of the public seeking “to vindicate a generalized public interest in enforcement of the law.” Opp. at 28.

sive jurisdiction over patent cases, a circuit split in patent cases is not possible.

The cited petitions do, however, tend to confirm two truths that are stated in the petition here: First, the Article III jurisdictional issue presented “arises in both the patent and trademark contexts and is generally important to the system of presumptively valid intellectual property rights administered by the PTO.” Pet. at 13. Second, strategic use of covenants to shut off invalidity challenges “is a recurring and widespread problem.” *Id.* at 18.

Although two of the cited petitions have little or nothing to do with the legal issue in this case,<sup>2</sup> the remaining three—*Chase Packaging Corp. v. Super Sack Mfg. Corp.*, No. 95-805; *Fort James Corp. v. Solo Cup Co.*, No. 05-712; and, most recently, *Nucleonics, Inc. v. Benitec Australia, Ltd.*—are relevant. As Judge Dyk thoroughly explained in his dissent in the last of these cases, the Federal Circuit precedent on whether covenants not to sue can moot existing patent litigation are “inconsistent with the Supreme Court precedent” and “conflict with each other.” *Benitec*. 495 F.3d at 1354 (Dyk, J., dissenting).

7. *Policy considerations support a grant of certiorari.* In *Cardinal Chemical, supra*, this Court em-

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<sup>2</sup> In *Spectronics Corp. v. H.B. Fuller Co., Inc.*, No. 91-682, the question was whether a patent case was rendered moot when the patentee gave a covenant not to sue and also filed papers in the PTO that voluntarily cancelled all of the patent claims relevant to the suit. Here, in sharp contrast, respondent has *not* cancelled the challenged '905 registration. *Forest Labs, Inc. v. Caraco Pharm. Labs, Ltd.*, No. 08-624, involved the FDA's complex administrative process for approving generic drugs, which has nothing to do with this case.

phasized "the importance to the public at large" in resolving challenges to the validity of PTO-issued intellectual property rights and found that public interest sufficiently weighty to support a general rule favoring the exercise of intermediate appellate jurisdiction over such challenges even where such jurisdiction might not be mandatory. 508 U.S. at 99-100. Similarly, in exercising its discretionary jurisdiction here, this Court may appropriately consider the underlying public importance of federal court jurisdiction to decide validity issues as a reason favoring certiorari. Indeed, in *Cardinal Chemical* itself, where the mootness issue was inherently splitless (because it arose from the Federal Circuit's exclusive patent jurisdiction), this Court still granted certiorari because the jurisdictional issue was "a matter of special importance to the entire Nation." *Id.* at 89.

This case presents an even stronger case for certiorari. Here, unlike *Cardinal Chemical*, there is a clear circuit split. The split is on a constitutional issue and it engages the circuits having the most active trademark dockets in the nation (and combined have almost half of all trademark cases). And in the parallel patent context, the same constitutional issue has produced a spirited conflict in judicial opinions in the Federal Circuit. This case presents an excellent vehicle for the Court to resolve this commercially important conflict on the scope of Article III jurisdiction.

## CONCLUSION

The petition should be granted.

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# **JOINT APPENDIX**

IN THE

**Supreme Court of the United States**

ALREADY, LLC d/b/a YUMS,

*Petitioner,*

*v.*

NIKE, INC.,

*Respondent.*

ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

**JOINT APPENDIX**

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PETITION FOR CERTIORARI FILED FEBRUARY 8, 2012  
CERTIORARI GRANTED JUNE 25, 2012

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**APPENDIX A — RELEVANT DOCKET ENTRIES  
COURT OF APPEALS, 2ND CIRCUIT**

General Docket  
Court of Appeals, 2nd Circuit

Court of Appeals Docket #: 11-314

Nature of Suit: 3840 PROPERTY RIGHTS-Trademark  
Nike, Inc. v. Already, LLC  
Appeal From: SDNY (NEW YORK CITY)

Docketed: 01/28/2011

Termed: 11/10/2011

Nike, Inc.,

Plaintiff - Counter - Defendant - Appellee,

v.

Already, LLC, DBA Yums,

Defendant - Counter - Claimant - Appellant.

01/28/2011    1    12 pg, 99.67 KB NOTICE OF CIVIL  
APPEAL, with district court docket,  
on behalf of Appellant Already, LLC,  
FILED. [196559] [11-314]

11/10/2011    80    JUDGMENT, FILED.[445824] [11-314]

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- 11/23/2011 81 ITEMIZED BILL OF COSTS, on behalf of Appellee Nike, Inc., FILED. Service date 11/23/2011 by US mail, CM/ECF. [456159] [11-314]
- 12/01/2011 84 JUDGMENT MANDATE, ISSUED. [461218] [11-314]
- 01/10/2012 86 STATEMENT OF COSTS, on behalf of Appellee Nike, Inc., FILED. [492671] [11-314]
- 01/10/2012 87 CERTIFIED ORDER, dated 01/10/2012, to SDNY, ISSUED.[492676] [11-314]
- 02/10/2012 88 U.S. SUPREME COURT NOTICE of writ of certiorari filing, dated 02/10/2012, U.S. Supreme Court docket # 11-982, RECEIVED.[525182] [11-314]
- 06/25/2012 89 U.S. SUPREME COURT NOTICE, dated 06/25/2012, U.S. Supreme Court docket # 11-982, stating the petition for writ of certiorari is granted, RECEIVED. [646551] [11-314]

**APPENDIX B — RELEVANT DOCKET ENTRIES  
U.S. DISTRICT COURT,  
SOUTHERN DISTRICT OF NEW YORK**

U.S. District Court  
Southern District of New York (Foley Square)  
CIVIL DOCKET FOR CASE #: 1:09-cv-06366-RJS

Nike, Inc. v. Already, LLC  
Assigned to: Judge Richard J. Sullivan  
Related Case: 1:09-cv-06367-RJS  
Cause: 15:1051 Trademark Infringement

Date Filed: 07/16/2009  
Date Terminated: 01/25/2011  
Jury Demand: Plaintiff  
Nature of Suit: 840 Trademark  
Jurisdiction: Federal Question

| Date Filed | #        | Docket Text                                                                                                                            |
|------------|----------|----------------------------------------------------------------------------------------------------------------------------------------|
| 07/16/2009 | <u>1</u> | COMPLAINT against Already, LLC. (Filing Fee \$ 350.00, Receipt Number 694414) Document filed by Nike, Inc. (mro) (Entered: 07/16/2009) |
| 07/16/2009 |          | SUMMONS ISSUED as to Already, LLC. (mro) (Entered: 07/16/2009)                                                                         |
| 07/16/2009 |          | CASE REFERRED TO Judge Naomi Reice Buchwald as possibly similar to 09-cv-3205. (mro) (Entered: 07/16/2009)                             |

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|            |          |                                                                                                                                                                                     |
|------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 07/16/2009 |          | Case Designated ECF. (mro) (Entered: 07/17/2009)                                                                                                                                    |
| 07/16/2009 | <u>2</u> | RULE 7.1 CORPORATE DISCLOSURE STATEMENT. No Corporate Parent. Document filed by Nike, Inc. (mro) (Entered: 07/17/2009)                                                              |
| 07/17/2009 |          | Mailed notice to Commissioner of Patents and Trademarks to report the filing of this action. (mro) (Entered: 07/17/2009)                                                            |
| 07/30/2009 |          | CASE DECLINED AS NOT SIMILAR. Case referred as similar to 1:09-cv-3205 and declined by Judge Naomi Reice Buchwald and returned to wheel for assignment. (ldi) (Entered: 07/30/2009) |
| 07/30/2009 | <u>3</u> | NOTICE OF CASE ASSIGNMENT to Judge Richard J. Sullivan. Judge Unassigned is no longer assigned to the case. (ldi) (Entered: 07/30/2009)                                             |
| 07/30/2009 |          | Magistrate Judge Ronald L. Ellis is so designated. (ldi) (Entered: 07/30/2009)                                                                                                      |
| 09/02/2009 | <u>4</u> | WAIVER OF SERVICE RETURNED EXECUTED. Already, LLC waiver sent on 8/14/2009, answer due 10/13/2009. Document filed by Nike, Inc. (Sharkin, Keith) (Entered: 09/02/2009)              |

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- 09/02/2009    5    ORDER: The parties in the above captioned matters are HEREBY ORDERED to appear for an initial status conference on Wednesday, September 30, 2009 at 10:00 a.m. in Courtroom 21C of the United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York. IT IS FURTHER HEREBY ORDERED THAT, by Wednesday, September 16, 2009 at 4:00 p.m., the parties in each above captioned matter shall jointly submit a letter, not to exceed five (5) pages, providing the following information set forth within separate paragraphs. (Signed by Judge Richard J. Sullivan on 9/2/2009) (jfe) (Entered: 09/03/2009)
- 09/04/2009    6    ORDER: Defendant's request is granted. The September 30, 2009 initial status conference for the above captioned matters is hereby adjourned to Wednesday, October 28, 2009 at 11:00 a.m. The joint submissions set forth in the Court's September 2, 2009 order must be provided to the Court no later than Wednesday, October 14, 2009. If any party to these related actions contemplates filing a motion, the party must provide the Court with a pre-motion letter, as set forth

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in my Individual Practices, Rule 2.A, no later than Wednesday, October 14, 2009. Responses to any pre-motion letter are due by Monday, October 19, 2009. Plaintiff in these related actions, Nike Inc., is ordered to serve both Defendants, who have not yet filed notices of appearance on ECF, with a copy of this order, and file a certificate of service on ECF indicating that this service was effectuated. Defendants shall thereafter file proper notices of appearance through ECF. So Ordered (Signed by Judge Richard J. Sullivan on 9/4/09) (js) (Entered: 09/08/2009)

- 09/08/2009    7    CERTIFICATE OF SERVICE of Court's Order Signed and Filed 9/2/09 (Doc no. 5) served on Eugenia S. Hansen of Hemingway & Hansen LLP on 9/3/2009. Service was made by email and overnight courier. Document filed by Nike, Inc. (Sharkin, Keith) (Entered: 09/08/2009)
- 09/09/2009    8    CERTIFICATE OF SERVICE of Court's Order Signed and Filed 9/4/09 (Doc no. 6) served on Eugenia S. Hansen of Hemingway & Hansen LLP on 9/8/2009. Service was made by email and overnight courier. Document filed by Nike, Inc. (Sharkin, Keith) (Entered:

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09/09/2009)

10/08/2009     9     ORDER: Plaintiffs request is granted. The October 28, 2009 initial status conference for the above-captioned matters is hereby adjourned to Friday, December 4, 2009 at 3:00 p.m. in Courtroom 21 C United States District Court, 500 Pearl Street, New York, New York. The joint submissions set forth in the Court's September 2, 2009 order must be provided to the Court no later than Friday, November 13, 2009. If any party to these related actions contemplates filing a motion, the party must provide the Court with a pre-motion letter, as set forth in my Individual Practices, Rule 2.A, no later than Friday, November 13, 2009. Responses to any pre-motion letter are due by Wednesday, November 18, 2009. If Plaintiff wishes to move for entry of default judgment against the non-appearing Defendant, the required materials shall be received by the Court no later than Friday, November 13, 2009. All submissions shall be sent to the chambers' email address at [sullivannysdchambers@nysd.uscourts.gov](mailto:sullivannysdchambers@nysd.uscourts.gov). (Signed by Judge Richard J. Sullivan on 10/8/2009) (jpo) (Entered: 10/09/2009)

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- 10/09/2009    10 ENDORSED LETTER addressed to Judge Richard J. Sullivan from Eugenia S. Hansen dated 10/9/2009 re: Requesting an extension on the date of Already's answer to November 12, 2009. ENDORSEMENT: SO ORDERED. (Signed by Judge Richard J. Sullivan on 10/9/2009) (jpo) (Entered: 10/09/2009)
- 10/27/2009    11 MOTION for Erik S. Maurer to Appear Pro Hac Vice. Document filed by Nike, Inc. (dle) (Entered: 10/29/2009)
- 10/29/2009    12 ORDER granting 11 Motion for Erik S. Maurer to Appear Pro Hac Vice for Nike, Inc. (Signed by Judge Richard J. Sullivan on 10/29/2009) (jmi) (Entered: 10/30/2009)
- 10/29/2009    Transmission to Attorney Admissions Clerk. Transmitted re: 12 Order on Motion to Appear Pro Hac Vice, to the Attorney Admissions Clerk for updating of Attorney Information. (jmi) (Entered: 10/30/2009)
- 10/30/2009    CASHIERS OFFICE REMARK on 11 Motion to Appear Pro Hac Vice in the amount of \$25.00, paid on 10/27/2009, Receipt Number 704421. (jd) (Entered: 10/30/2009)

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- 11/04/2009    13 MOTION for Christopher J. Renk to Appear Pro Hac Vice. Document filed by Nike, Inc. (mro) (Entered: 11/05/2009)
- 11/05/2009    14 ORDER granting 13 Motion for Christopher J. Renk to Appear Pro Hac Vice. (Signed by Judge Richard J. Sullivan on 11/5/09) (js) (Entered: 11/06/2009)
- 11/05/2009    Transmission to Attorney Admissions Clerk. Transmitted re: 14 Order on Motion to Appear Pro Hac Vice, to the Attorney Admissions Clerk for updating of Attorney Information. (js) (Entered: 11/06/2009)
- 11/10/2009    15 ENDORSED LETTER addressed to Judge Richard J. Sullivan from James W. Dabney dated 11/6/2009 re: Counsel request a one week extension of time up to and including 11/19/2009 to respond to the complaint. ENDORSEMENT: So Ordered. (Signed by Judge Richard J. Sullivan on 11/9/2009) (jfe) (Entered: 11/10/2009)
- 11/17/2009    CASHIERS OFFICE REMARK on 13 Motion to Appear Pro Hac Vice in the amount of \$25.00, paid on 11/04/2009, Receipt Number 705113. (jd) (Entered: 11/17/2009)

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- 11/19/2009    16    **RULE 7.1 CORPORATE DISCLOSURE STATEMENT. No Corporate Parent. Document filed by Already, LLC. (Dabney, James) (Entered: 11/19/2009)**
- 11/19/2009    17    **A N S W E R   t o   C o m p l a i n t , C O U N T E R C L A I M against Nike, Inc. Document filed by Already, LLC. (Dabney, James) (Entered: 11/19/2009)**
- 11/23/2009    18    **NOTICE OF APPEARANCE by Elizabeth Page Kozlowski on behalf of Already, LLC (Kozlowski, Elizabeth) (Entered: 11/23/2009)**
- 11/23/2009    19    **NOTICE OF APPEARANCE by Randy Clay Eisensmith on behalf of Already, LLC (Eisensmith, Randy) (Entered: 11/23/2009)**
- 12/02/2009    20    **ORDER: The Court is in receipt of a letter from Defendant Already, LLC d/b/a Yums in Case No. 09 Civ. 6366 (RJS), requesting that the Court adjourn the initial status conference currently scheduled for Friday, December 4, 2009 at 3:00 p.m. The request is granted. The December 4, 2009 conference is adjourned to Friday, January 15, 2010 at 9:30 a.m. in Courtroom 21C, United States District Court, 500 Pearl Street, New York, New York. The**

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Court is also in receipt of a letter from "principal counsel" for Plaintiff, NIKE Inc., Erik S. Maurer, Esq., requesting permission to appear telephonically for the conference scheduled in the related matter, Case No. 09 Civ. 6367 (RJS), on Friday, December 4, 2009 at 3:00 p.m. in Courtroom 21 C, United States District Court, 500 Pearl Street, New York, New York. The request is granted. Mr. Maurer shall call chambers at (212) 805-0264 at 3:00 p.m. on Friday, December 4, 2009. Nike's local counsel, Keith Sharkin, Esq., shall appear in person. (Signed by Judge Richard J. Sullivan on 12/2/09) (tro) (Entered: 12/02/2009)

12/09/2009    21 ORDER: The Court is in receipt of a pre-motion letter from Plaintiff, dated December 9, 2009. Pursuant to my Individual Practices, Defendant shall provide the Court with a response to Plaintiffs letter, which shall be received no later than Monday, December 14, 2009, and shall be sent to the chambers' email address. The Court will discuss Plaintiffs contemplated motion at the status conference currently scheduled for Friday, January 15, 2010 at 9:30 a.m. in Courtroom 21C, United States District Court, 500 Pearl Street, New York, New York. The time by which

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Plaintiff may file its contemplated motion is adjourned until after the date of the January 15, 2010 conference. (Signed by Judge Richard J. Sullivan on 12/9/2009) (jpo) (Entered: 12/09/2009)

- 12/14/2009     22 ANSWER to Counterclaim. Document filed by Nike, Inc. (Maurer, Erik) (Entered: 12/14/2009)
- 12/17/2009     23 ORDER, that the Court is in receipt of a letter from Defendant, dated December 17, 2009, requesting an adjournment of the conference currently scheduled for Friday, January 15, 2010 at 9:30 a.m. The request is granted. The January 15, 2010 conference is adjourned to Wednesday, January 20, 2010 at 9:00 a.m. in Courtroom 21C of the United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York. The time by which Plaintiff may file its contemplated motion is adjourned until after the date of the January 20, 2010 conference. (Signed by Judge Richard J. Sullivan on 12/17/09) (pl) Modified on 12/29/2009 (ae). (Entered: 12/18/2009)
- 01/19/2010     24 ORDER that the conference scheduled for tomorrow, Wednesday, 1/20/10 at 9:00 a.m. will be held in courtroom 20B, not

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courtroom 21C as originally scheduled.  
(Signed by Judge Richard J. Sullivan on  
1/19/10) (dle) (Entered: 01/19/2010)

- 01/20/2010    25 ORDER As stated by the Court at the conference held before it on Wednesday, January 20, 2010, if Plaintiff intends to file a motion to strike Defendant's counterclaims. Plaintiff shall file the motion no later than Friday, February 26, 2010. Thereafter, Defendant shall provide the Court with a letter, to be received no later than Friday, March 5, 2010, informing the Court whether it intends to file a cross-motion, or whether it intends to file only a memorandum of law in opposition to Plaintiffs motion. SO ORDERED. (Motions due by 2/26/2010, Status Report due by 3/5/2010.) (Signed by Judge Richard J. Sullivan on 1/20/2010) (jmi) (Entered: 01/21/2010)
- 01/20/2010    26 CASE MANAGEMENT PLAN AND SCHEDULING ORDER: that all fact discovery is to be completed no later than June 10, 2010. Depositions (fact witnesses) shall be completed by June 10, 2010. All expert depositions will be completed by Aug. 4, 2010. All discovery shall be completed no later than Aug. 4, 2010. The Court will conduct a post-discovery conference on Sept. 8, 2010

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@ 9:15 a.m. Counsel for the parties are to contact MJ Ellis by Feb. 12, 2010 to arrange a settlement conference. Additional relief as set forth in this Order. (Signed by Judge Richard J. Sullivan on 1/20/10) (pl) Modified on 1/27/2010 (pl). (Entered: 01/21/2010)

- 01/26/2010    27    TRANSCRIPT of proceedings held on January 20, 2010 9:10 a.m. before Judge Richard J. Sullivan. (ajc) (Entered: 01/27/2010)
- 02/11/2010    28    SETTLEMENT CONFERENCE ORDER: Settlement Conference set for 3/16/2010 at 02:30 PM in Courtroom 18D, 500 Pearl Street, New York, NY 10007 before Magistrate Judge Ronald L. Ellis. (Signed by Magistrate Judge Ronald L. Ellis on 2/11/10) (dle) (Entered: 02/14/2010)
- 02/24/2010    29    ORDER: Accordingly, IT IS HEREBY ORDERED that the current deadline for Plaintiff to file such a motion is extended from February 26, 2010 to March 26, 2010. Thereafter, Defendant should provide the Court with a letter, to be received by April 12, 2010, informing the Court whether it intends to file a cross-motion or intends to file only a memorandum of law in opposition to

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Plaintiffs motion. (Signed by Judge Richard J. Sullivan on 2/24/2010) (jfe) Modified on 3/8/2010 (jfe). (Entered: 02/25/2010)

- 03/09/2010     30 PROTECTIVE ORDER: Regarding procedures to be followed that shall govern the handling of confidential material. (Signed by Judge Richard J. Sullivan on 3/9/10) (db) (Entered: 03/09/2010)
- 03/16/2010     Minute Entry for proceedings held before Magistrate Judge Ronald L. Ellis: Settlement Conference held on 3/16/2010. Parties will continue ongoing settlement discussions. (tro) (Entered: 03/31/2010)
- 03/23/2010     31 ORDER: Accordingly, it is hereby ordered that Defendant shall submit a letter, not to exceed three pages, responding to Plaintiffs requests. Defendant shall submit its letter via the chambers' email address by Thursday, March 25, 2010. (Signed by Judge Richard J. Sullivan on 3/22/2010) (jpo) (Entered: 03/23/2010)
- 03/25/2010     32 DECLARATION of James W. Dabney. Document filed by Already, LLC. (Attachments: #1 Exhibit 1)(Dabney, James) (Entered: 03/25/2010)

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- 03/26/2010    33 ORDER: Accordingly, this Court shall not respond to the discovery disputes described in Defendant's March 23, 2010 letter unless the parties submit a joint letter, pursuant to Rule 2(F). Additionally, IT IS HEREBY ORDERED that the parties appear for a conference on Friday, April 2, 2010 at 10:00 a.m. in Courtroom 21 C. The conference shall address the issues involving the requested Rule 41(a)(2) dismissal. If the parties submit a proper joint letter regarding their discovery disputes by Wednesday, March 31, 2010 at 4:00 p.m., the conference will also address those disputes (Signed by Judge Richard J. Sullivan on 3/26/2010) (js) Modified on 4/6/2010 (js). (Entered: 03/26/2010)
- 04/02/2010    34 ORDER. As stated on the record at today's conference, discovery in this action is stayed pending Plaintiff's motion to dismiss Defendant's counterclaims for lack of subject matter jurisdiction. With regard to that motion, the parties shall adhere to the following briefing schedule: Monday, April 12, 2010 – Plaintiff's motion and its supporting papers, which shall not exceed 25 pages, shall be filed; Monday, April 26, 2010 –

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Defendant's opposition papers, which shall not exceed 25 pages, shall be filed; and Wednesday, May 5, 2010 – Plaintiff's reply papers, which shall not exceed 10 pages, shall be filed. (Signed by Judge Richard J. Sullivan on 4/2/10) (djc) (Entered: 04/05/2010)

- 04/12/2010    35 MOTION to Dismiss *(1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Civ. P.* Document filed by Nike, Inc.. Responses due by 4/26/2010 (Sharkin, Keith) (Entered: 04/12/2010)
- 04/12/2010    36 DECLARATION of Julianne R. Davis in Support re: 35 MOTION to Dismiss *(1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. CIV. P.* MOTION to Dismiss *(1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint*

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*with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Nike, Inc. (Sharkin, Keith) (Entered: 04/12/2010)*

- 04/12/2010    37 DECLARATION of Erik S. Maurer in Support re: 35 MOTION to Dismiss (1) *defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Nike, Inc. (Attachments: #1 Exhibit A, #2 Exhibit B, #3 Exhibit C, #4 Exhibit D, #5 Exhibit E, # 6 Exhibit F, #7 Exhibit G, #8 Exhibit H, #9 Exhibit I, #10 Exhibit J, #11 Exhibit K, #12 Exhibit L) (Sharkin, Keith) (Entered: 04/12/2010)*
- 04/12/2010    38 MEMORANDUM OF LAW in Support re: 35 MOTION to Dismiss (1) *defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's*

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*complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Nike, Inc. (Sharkin, Keith) (Entered: 04/12/2010)*

04/14/2010     39 TRANSCRIPT of proceedings held on 4/2/2010 before Judge Richard J. Sullivan. (jfe) Modified on 4/27/2010 (rw). (Entered: 04/16/2010)

04/26/2010     40 DECLARATION of James W. Dabney in Opposition re: 35 MOTION to Dismiss (1) *defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Already, LLC. (Attachments: #1*

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*Exhibit, #2 Exhibit, #3 Exhibit, #4 Exhibit, #5 Exhibit, #6 Exhibit, #7 Exhibit, #8 Exhibit, #9 Exhibit, #10 Exhibit) (Eisensmith, Randy) (Entered: 04/26/2010)*

- 04/26/2010     41 DECLARATION of John P. McDade in Opposition re: 35 MOTION to Dismiss (1) *defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Already, LLC. (Eisensmith, Randy) (Entered: 04/26/2010)*
- 04/26/2010     42 DECLARATION of Michael Jenkins in Opposition re: 35 MOTION to Dismiss (1) *defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R.*

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*MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Already, LLC. (Eisensmith, Randy) (Entered: 04/26/2010)*

04/26/2010     43     *DECLARATION of Kyle Schnable in Opposition re: 35 MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Already, LLC. (Eisensmith, Randy) (Entered: 04/26/2010)*

04/26/2010     44     *DECLARATION of Vincent Piras in Opposition re: 35 MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule*

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*12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Already, LLC. (Eisensmith, Randy) (Entered: 04/26/2010)*

04/26/2010    45 DECLARATION of Marvin Wilson in Opposition re: 35 MOTION to Dismiss (1) *defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Already, LLC. (Eisensmith, Randy) (Entered: 04/26/2010)*

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- 04/26/2010    46 MEMORANDUM OF LAW in Opposition re: 35 MOTION to Dismiss (1) *defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Already, LLC. (Eisensmith, Randy) (Entered: 04/26/2010)*
- 04/30/2010    47 NOTICE OF CHANGE OF ADDRESS by Keith E. Sharkin on behalf of Nike, Inc. New Address: Dickstein Shapiro LLP, 1633 Broadway, New York, New York, USA 10019, (212) 277-6500. (Sharkin, Keith) (Entered: 04/30/2010)
- 05/05/2010    48 REPLY MEMORANDUM OF LAW in Support re: 35 MOTION to Dismiss (1) *defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice*

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*pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Nike, Inc. (Sharkin, Keith) (Entered: 05/05/2010)*

05/05/2010     49     DECLARATION of Kelly Hibler in Support re: 35 MOTION to Dismiss (1) defendant *Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Nike, Inc. (Sharkin, Keith) (Entered: 05/05/2010)*

05/05/2010     50     DECLARATION of Erik S. Maurer in Support re: 35 MOTION to Dismiss (1) defendant *Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of*

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*subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Document filed by Nike, Inc. (Attachments: 1 Exhibit A)(Sharkin, Keith) (Entered: 05/05/2010)*

08/25/2010 51 ORDER: In light of Plaintiff's pending motion to dismiss, it is hereby ordered that the status conference scheduled for Wednesday, September 8, 2010 is canceled. So Ordered (Signed by Judge Richard J. Sullivan on 8/24/2010) (js) (Entered: 08/25/2010)

01/20/2011 52 MEMORANDUM ORDER: For the foregoing reasons, Plaintiff's motion to dismiss its claims with prejudice and Defendant's counterclaims without prejudice is GRANTED in its entirety. The Clerk of the Court is directed to terminate the motion located at Doc. No. 35 and to close this case. So Ordered. (Signed by Judge Richard J. Sullivan on 1/20/2011) (js) (cd). (Entered: 01/21/2011)

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- 01/20/2011      Transmission to Judgments and Orders Clerk. Transmitted re: 52 Order on Motion to Dismiss, to the Judgments and Orders Clerk. (js) (Entered: 01/21/2011)
- 01/24/2011      54 NOTICE OF APPEAL from 52 Order on Motion to Dismiss. Document filed by Already, LLC. Filing fee \$ 455.00, receipt number E927672. (tp) (Entered: 01/28/2011)
- 01/25/2011      53 CLERK'S JUDGMENT That for the reasons stated in the Court's Memorandum and Order dated January 20, 2011, plaintiff's motion to dismiss its claims with prejudice and defendant's counterclaims without prejudice is granted in its entirety; accordingly, the case is closed. (Signed by Clerk of Court Ruby Krajick on 1/25/11) (Attachments: #1 notice of right to appeal)(ml) (Entered: 01/25/2011)
- 01/28/2011      Transmission of Notice of Appeal and Certified Copy of Docket Sheet to US Court of Appeals re: 54 Notice of Appeal. (tp) (Entered: 01/28/2011)
- 01/28/2011      Transmission of Notice of Appeal to the District Judge re: 54 Notice of Appeal. (tp) (Entered: 01/28/2011)

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01/28/2011

Appeal Record Sent to USCA (Electronic File). Certified Indexed record on Appeal Electronic Files for 37 Declaration in Support of Motion, filed by Nike, Inc., 46 Memorandum of Law in Opposition to Motion, filed by Already, LLC, 20 Order, Set Deadlines/Hearings, 51 Order, 15 Endorsed Letter, Set Deadlines, 44 Declaration in Opposition to Motion, filed by Already, LLC, 32 Declaration filed by Already, LLC, 1 Complaint filed by Nike, Inc., 30 Protective Order, 42 Declaration in Opposition to Motion, filed by Already, LLC, 28 Order, Set Hearings, 33 Order, Set Deadlines/Hearings, 25 Order, Set Deadlines, 9 Order, Set Deadlines/Hearings, 21 Order, Set Deadlines/Hearings, 19 Notice of Appearance filed by Already, LLC, 36 Declaration in Support of Motion, filed by Nike, Inc., 10 Endorsed Letter, Set Deadlines/Hearings, 8 Certificate of Service Other filed by Nike, Inc., 11 MOTION for Erik S. Maurer to Appear Pro Hac Vice, filed by Nike, Inc., 47 Notice of Change of Address filed by Nike, Inc., 3 Notice of Case Assignment/Reassignment, 48 Reply Memorandum of Law in Support of Motion, filed by Nike, Inc., 50 Declaration in Support of Motion, filed by Nike, Inc., 6 Order, Set Deadlines/Hearings, 13 MOTION for Christopher

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J. Renk to Appear Pro Hac Vice filed by Nike, Inc., 4 Waiver of Service Executed filed by Nike, Inc., 22 Answer to Counterclaim filed by Nike, Inc., 41 Declaration in Opposition to Motion, filed by Already, LLC, 35 MOTION to Dismiss (1) *defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. MOTION to Dismiss (1) defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. filed by Nike, Inc., 7* Certificate of Service Other filed by Nike, Inc., 40 Declaration in Opposition to Motion, filed by Already, LLC, 5 Order, Set Deadlines/Hearings, 14 Order on Motion to Appear Pro Hac Vice, 34 Order, Set Deadlines/Hearings, 23 Order, Set Scheduling Order Deadlines, 54 Notice of Appeal filed by Already, LLC, 16 Rule 7.1 Corporate Disclosure Statement filed by Already, LLC, 43 Declaration in Opposition to Motion, filed by Already, LLC, 49 Declaration in Support of Motion, filed by Nike,

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*Inc., 53 Clerk's Judgment, 29 Order, Set Deadlines/Hearings, 52 Order on Motion to Dismiss, 38 Memorandum of Law in Support of Motion, filed by Nike, Inc., 26 Case Management Plan, 17 Answer to Complaint, Counte claim filed by Already, LLC, 24 Order, Set Hearings, 45 Declaration in Opposition to Motion, filed by Already, LLC, 31 Order, 12 Order on Motion to Appear Pro Hac Vice, 18 Notice of Appearance filed by Already, LLC, 2 Rule 7.1 Corporate Disclosure Statement filed by Nike, Inc. were transmitted to the U.S. Court of Appeals, (tp) (Entered: 01/28/2011)*

**APPENDIX C — COMPLAINT IN THE UNITED  
STATES DISTRICT COURT FOR THE SOUTHERN  
DISTRICT OF NEW YORK, DATED JULY 16, 2009**

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Attorneys for Plaintiff,  
NIKE, Inc.

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IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK

Civil Action No.

NIKE, INC.,

Plaintiff,

V.

ALREADY, LLC, d/b/a YUMS,

Defendant.

Jury Trial Demanded

**COMPLAINT**

Plaintiff, NIKE, Inc. ("NIKE"), for its complaint against Defendant, Already, LLC, d/b/a Yums ("Yums"), alleges as follows:

**The Parties**

1. NIKE is a corporation organized and existing under the laws of the State of Oregon with a principal place of business at One Bowerman Drive, Beaverton, Oregon 97005.

2. On information and belief, Yums is a corporation organized under the laws of the State of Texas with a

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principal place of business at 410 Lillard Road, Suite 301, Arlington, Texas 76012.

**Jurisdiction and Venue**

3. This is an action for trademark infringement, false designation of origin, unfair competition, and trademark dilution. This action arises under the Trademark Act of 1946, 15 U.S.C. § 1051, *et seq.* ("Lanham Act"), New York General Business Law Section 360, and the common law of the State of New York.

4. This Court has subject matter jurisdiction over this action pursuant to at least 15 U.S.C. § 1121(a) and 28 U.S.C. §§ 1331, 1338(a) and (b), and 1367(a).

5. This Court may exercise personal jurisdiction over Yums based upon its contacts with this forum, including at least regularly and intentionally doing business here and committing acts giving rise to this lawsuit here.

6. Venue is proper in this judicial district pursuant to at least 28 U.S.C. §§ 1391(b) and (c).

**General Allegations — NIKE's Mark**

7. NIKE is the world's leading designer, marketer, and distributor of authentic athletic footwear, apparel, equipment, and accessories for a wide variety of sports and fitness activities.

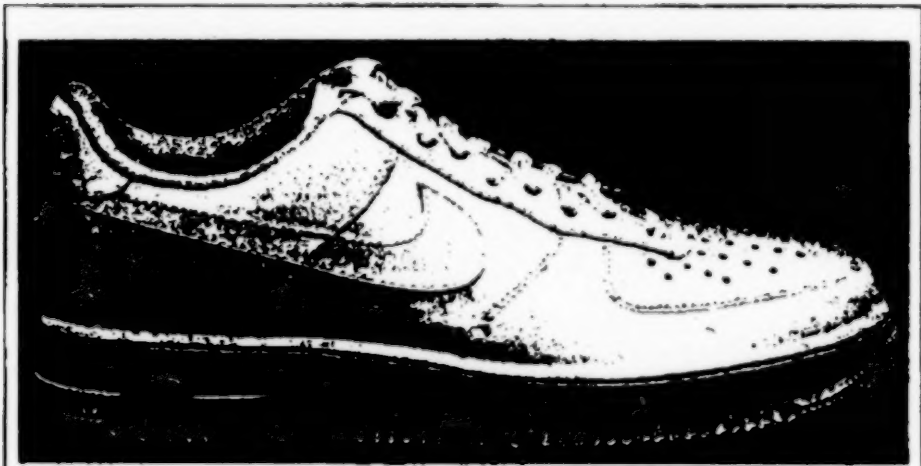
8. NIKE has taken steps to protect its innovative designs, including its footwear-related designs. For

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example, NIKE owns numerous trademark rights relating to the source identifying features of its footwear designs.

9. Relevant to this dispute, in 1982, NIKE designed the Air Force 1 shoe. Since then, NIKE has expended substantial resources marketing and promoting the Air Force 1 shoe. NIKE has produced the shoe in over 1,700 different color combinations and has sold the shoe in all fifty states and around the world. Over the years, the Air Force 1 shoe has gained in popularity to the extent that NIKE sells tens of millions of pair per year.

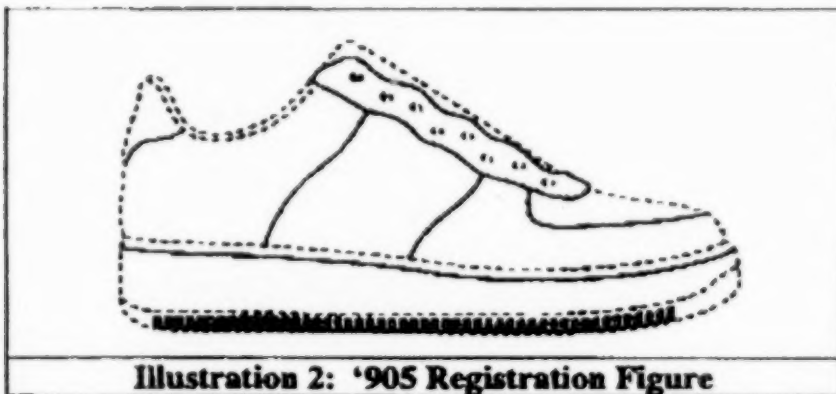
10. The Air Force 1 shoe has a distinctive appearance with a unique and non-functional design that identifies to consumers that the origin of the shoe is NIKE. Illustration 1 below shows the iconic Air Force 1 shoe.



**Illustration 1: The Air Force 1 Shoe**

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11. NIKE owns federal trademark registrations for the design of the Air Force 1 shoe. For example, NIKE owns U.S. Trademark Registration Number 3,451,905, registered June 24, 2008, for “the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on the top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other” as generally shown in Illustration 2 below. A copy of Registration No. 3,451,905 (“905 Registration”) is attached to this Complaint as Exhibit A.



12. NIKE also has common law trademark rights in the design of the Air Force 1 shoe as a result of NIKE's continuous and exclusive use of the design for more than twenty-five years. NIKE's federal and common law trademark rights in the design of the Air Force 1 shoe are collectively hereafter referred to as the “NIKE Mark.”

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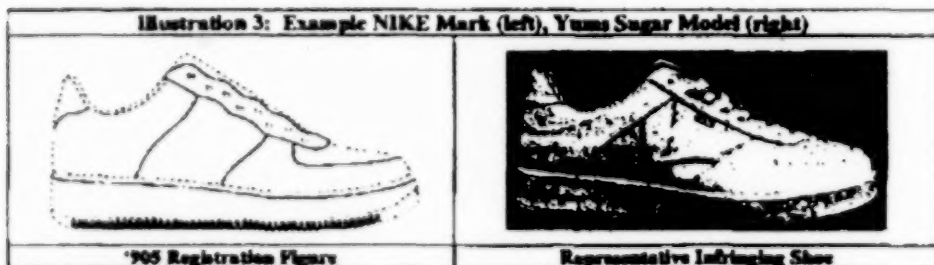
13. The NIKE Mark has become a famous and well-known indicator of the origin and quality of NIKE footwear. The NIKE Mark has acquired substantial secondary meaning in the marketplace as a result of at least NIKE's continuous and exclusive use of the design, NIKE's substantial marketing and promotion efforts related to the design, and NIKE's substantial sales under the design.

**General Allegations — Yums'  
Unlawful Activity**

14. On information and belief, Yums sells, offers to sell, distributes, or advertises footwear bearing a confusingly similar imitation of the NIKE Mark (the "Infringing Shoes").

15. On information and belief, Yums sells, offers to sell, distributes, or advertises the Infringing Shoes in several styles, including at least Sugar and Soulja Boy.

16. Illustration 3 below demonstrates Yums' unlawful activity by comparing the NIKE Mark to an image of a representative Infringing Shoe, the Yums Sugar model.



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17. NIKE used the NIKE Mark extensively and continuously before Yums began selling, offering to sell, distributing, or advertising the Infringing Shoes.

18. NIKE has never authorized Yums to sell, offer to sell, distribute, or advertise the Infringing Shoes.

**Count I: Trademark Infringement under  
Section 32(1) of the Lanham Act  
(15 U.S.C. § 1114(1))**

19. NIKE re-alleges each and every allegation set forth in paragraphs 1 through 18 above, inclusive, and incorporates them by reference herein.

20. Yums' offer to sell, sale, distribution, or advertisement of Infringing Shoes violates Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1).

21. The NIKE Mark is federally registered, and it is entitled to protection under both federal law and common law. The NIKE Mark has a distinctive appearance with a unique and non-functional design. NIKE has extensively and continuously promoted and used the NIKE Mark for more than twenty-five years in the United States and worldwide. Through that extensive and continuous use, the NIKE Mark has become a famous and well-known indicator of the origin and quality of NIKE footwear. The NIKE Mark has also acquired substantial secondary meaning in the marketplace.

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22. Yums' use of colorable imitations of the NIKE Mark is likely to cause consumer confusion as to the origin and/or sponsorship/affiliation of the Infringing Shoes, at least by creating the false and misleading impression that the Infringing Shoes are manufactured by, authorized by, or otherwise associated with NIKE.

23. Yums' use of colorable imitations of the NIKE Mark has caused, and unless enjoined, will continue to cause substantial and irreparable injury to NIKE for which NIKE has no adequate remedy at law, including at least substantial and irreparable injury to the goodwill and reputation for quality associated with the NIKE Mark.

24. On information and belief, Yums' use of colorable imitations of the NIKE Mark has been intentional, willful, and malicious. Yums' bad faith is evidenced at least by the similarity of the Infringing Shoes to the NIKE Mark, as demonstrated in Illustration 3 above.

25. NIKE is entitled to injunctive relief, and NIKE is also entitled to recover Yums' profits, actual damages, enhanced profits and damages, costs, and reasonable attorney fees under 15 U.S.C. §§ 1114, 1116, and 1117.

**Count II: False Designation of Origin/Unfair  
Competition under Section 43(a) of the Lanham Act,  
15 U.S.C. § 1125(a)**

26. NIKE re-alleges each and every allegation set forth in paragraphs 1 through 25 above, inclusive, and incorporates them by reference herein.

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27. Yums' offer to sell, sale, distribution, or advertisement of Infringing Shoes violates Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

28. The NIKE Mark is federally registered, and it is entitled to protection under both federal law and common law. The NIKE Mark has a distinctive appearance with a unique and non-functional design. NIKE has extensively and continuously promoted and used the NIKE Mark for more than twenty-five years in the United States and worldwide. Through that extensive and continuous use, the NIKE Mark has become a famous and well-known indicator of the origin and quality of NIKE footwear. The NIKE Mark has also acquired substantial secondary meaning in the marketplace.

29. Yums' use of colorable imitations of the NIKE Mark constitutes a false designation of origin that is likely to cause consumer confusion, mistake, or deception as to the origin, sponsorship, or approval of the Infringing Shoes by creating the false and misleading impression that the Infringing Shoes are manufactured by, authorized by, or otherwise associated with NIKE.

30. Yums' use of colorable imitations of the NIKE Mark has caused, and unless enjoined, will continue to cause substantial and irreparable injury to NIKE for which NIKE has no adequate remedy at law, including at least substantial and irreparable injury to the goodwill and reputation for quality associated with the NIKE Mark.

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31. On information and belief, Yums' use of colorable imitations of the NIKE Mark has been intentional, willful, and malicious. Yums' bad faith is evidenced at least by the similarity of the Infringing Shoes to the NIKE Mark, as demonstrated in Illustration 3 above.

32. NIKE is entitled to injunctive relief, and NIKE is also entitled to recover Yums' profits, actual damages, enhanced profits and damages, costs, and reasonable attorney fees under 15 U.S.C. §§ 1125(a), 1116, and 1117.

**Count III: Dilution under Section 43(c)  
of the Lanham Act 15 U.S.C. § 1125(c)**

33. NIKE re-alleges each and every allegation set forth in paragraphs 1 through 32 above, inclusive, and incorporates them by reference herein.

34. Yums' offer to sell, sale, distribution, or advertisement of Infringing Shoes violates Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c).

35. The NIKE Mark is federally registered, and it is entitled to protection under both federal law and common law. The NIKE Mark has a distinctive appearance with a unique and non-functional design. NIKE has extensively and continuously promoted and used the NIKE Mark for more than twenty-five years in the United States and worldwide. Through that extensive and continuous use, the NIKE Mark has become a famous and well-known indicator of the origin and quality of NIKE footwear. The NIKE Mark has also acquired substantial secondary meaning in the marketplace.

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36. The NIKE Mark is famous, and has acquired substantial secondary meaning in the marketplace, before Yums' use of colorable imitations of the NIKE Mark.

37. Yums' use of colorable imitations of the NIKE Mark is likely to cause, and has caused, dilution of the famous NIKE Mark at least by eroding the public's exclusive identification of the famous NIKE Mark with NIKE and by lessening the capacity of the famous NIKE Mark to identify and distinguish NIKE footwear.

38. Yums' use of colorable imitations of the NIKE Mark has caused, and unless enjoined, will continue to cause substantial and irreparable injury to NIKE for which NIKE has no adequate remedy at law, including at least substantial and irreparable injury to the goodwill and reputation for quality associated with the NIKE Mark.

39. On information and belief, Yums' use of colorable imitations of the NIKE Mark has been intentional, willful, and malicious. Yums' bad faith is evidenced at least by the similarity of the Infringing Shoes to the NIKE Mark, as demonstrated in Illustration 3 above.

40. NIKE is entitled to injunctive relief, and NIKE is also entitled to recover Yums' profits, actual damages, enhanced profits and damages, costs, and reasonable attorney fees under 15 U.S.C. §§ 1125(c), 1116, and 1117.

*Appendix C***Count IV: Common Law Trademark Infringement  
and Unfair Competition**

41. NIKE re-alleges each and every allegation set forth in paragraphs 1 through 40 above, inclusive, and incorporates them by reference herein.

42. Yums' offer to sell, sale, distribution, or advertisement of Infringing Shoes constitutes common law trademark infringement and unfair competition.

43. The NIKE Mark is federally registered, and it is entitled to protection under both federal law and common law. The NIKE Mark has a distinctive appearance with a unique and non-functional design. NIKE has extensively and continuously promoted and used the NIKE Mark for more than twenty-five years in the United States and worldwide. Through that extensive and continuous use, the NIKE Mark has become a famous and well-known indicator of the origin and quality of NIKE footwear. The NIKE Mark has also acquired substantial secondary meaning in the marketplace.

44. Yums' use of colorable imitations of the NIKE Mark is likely to cause consumer confusion as to the origin or sponsorship of the Infringing Shoes by creating the false and misleading impression that the Infringing Shoes are manufactured by, authorized by, or otherwise associated with NIKE.

45. Yums' use of colorable imitations of the NIKE Mark has caused, and unless enjoined, will continue to

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cause substantial and irreparable injury to NIKE for which NIKE has no adequate remedy at law, including at least substantial and irreparable injury to the goodwill and reputation for quality associated with the NIKE Mark.

46. On information and belief, Yums' use of colorable imitations of the NIKE Mark has been intentional, willful, and malicious. Yums' bad faith is evidenced at least by the similarity of the Infringing Shoes to the NIKE Mark, as demonstrated in Illustration 3 above.

47. NIKE is entitled to injunctive relief, and NIKE is also entitled to recover Yums' profits, actual damages, punitive damages, costs, and reasonable attorney fees.

**Count V: Dilution under New York State Law  
New York General Business Law § 360**

48. NIKE re-alleges each and every allegation set forth in paragraphs 1 through 47 above, inclusive, and incorporates them by reference herein.

49. Yums' offer to sell, sale, distribution, or advertisement of Infringing Shoes violates Section 360 of New York General Business Law.

50. The NIKE Mark is federally registered, and it is entitled to protection under both federal law and common law. The NIKE Mark has a distinctive appearance with a unique and non-functional design. NIKE has extensively and continuously promoted and used the NIKE Mark

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for more than twenty-five years in the United States and worldwide. Through that extensive and continuous use, the NIKE Mark has become a famous and well-known indicator of the origin and quality of NIKE footwear. The NIKE Mark has also acquired substantial secondary meaning in the marketplace.

51. The NIKE Mark is famous, and has acquired substantial secondary meaning in the marketplace, prior to Yums' use of colorable imitations of the NIKE Mark.

52. Yums' use of colorable imitations of the NIKE Mark is likely to cause, and has caused, dilution of the famous NIKE Mark at least by eroding the public's exclusive identification of the famous NIKE Mark with NIKE and by lessening the capacity of the famous NIKE Mark to identify and distinguish NIKE footwear.

53. Yums' use of colorable imitations of the NIKE Mark has caused, and unless enjoined, will continue to cause substantial and irreparable injury to NIKE for which NIKE has no adequate remedy at law, including at least substantial and irreparable injury to the goodwill and reputation for quality associated with the NIKE Mark.

54. On information and belief, Yums' use of colorable imitations of the NIKE Mark has been intentional, willful, and malicious. Yums' bad faith is evidenced at least by the similarity of the Infringing Shoes to the NIKE Mark, as demonstrated in Illustration 3 above.

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55. NIKE is entitled to injunctive relief, and NIKE is also entitled to recover Yums' profits, actual damages, punitive damages, costs, and reasonable attorney fees.

**Jury Demand**

NIKE demands a trial by jury.

**Relief Sought**

WHEREFORE, NIKE respectfully prays for:

A. Judgment that Yums has (i) willfully infringed the NIKE Mark in violation of § 1114 of Title 15 in the United States Code, (ii) willfully used false designations of origin/unfair competition in violation of § 1125(a) of Title 15 in the United States Code, (iii) willfully diluted the NIKE Mark in violation of § 1125(c) of Title 15 in the United States Code, (iv) willfully infringed the NIKE Mark and engaged in unfair competition in violation of the common law of New York; and (v) willfully diluted the NIKE Mark in violation of Section 360 of the New York General Business Law;

B. An injunction prohibiting Yums and each of its agents, employees, servants, attorneys, successors and assigns, and all others in privity or acting in concert therewith from continuing infringement, false designation of origin, unfair competition, and dilution of the NIKE Mark, including at least from selling, offering to sell, distributing, or advertising the Infringing Shoes, or any other copy, reproduction, or colorable imitation of the NIKE Mark;

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C. An order directing the destruction of all Infringing Shoes, or any other copy, reproduction, or colorable imitation of the NIKE Mark in Yums' possession or control, including the destruction of all advertising materials related to the Infringing Shoes in Yums' possession or control, including on the Internet;

D. An award of Yums' profits, actual damages, enhanced profits and damages, punitive damages, costs, and reasonable attorney fees; and

E. Such other and further relief as this Court deems just and proper.

Dated: July 16, 2009

Respectfully submitted,

/s/

\_\_\_\_\_  
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47a

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Exhibit A to Complaint –  
U.S. Trademark Registration No. 3,451,905  
(See Supplemental Appendix at pp. SA-1)

**APPENDIX D — ANSWER AND COUNTERCLAIM  
IN THE UNITED STATES DISTRICT COURT,  
SOUTHERN DISTRICT OF NEW YORK,  
DATED NOVEMBER 19, 2009**

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

09 Civ. 6366 (RJS)

**NIKE, INC.,**

**Plaintiff,**

**- against -**

**ALREADY, LLC d/b/a YUMS,**

**Defendant.**

**ANSWER AND COUNTERCLAIM**

Defendant Already, LLC d/b/a YUMS, by its attorneys, for its Answer to the Complaint:

1. Denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 1.
2. Admits the allegations of paragraph 2.
3. Admits that the plaintiff's claims in this action purport to arise under (i) the Trademark Act of 1946, (ii) Section 360 of the New York General Business Law, and (iii) the common law of the State of New York, and except as so admitted denies the allegations of paragraph 3.

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4. Admits that the Court has subject matter jurisdiction to hear this action Under at least 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331, 1338(a) and (b), and 1367(a), and except as so admitted denies the allegations of paragraph 4.

5. Admits that Yums does not object to personal jurisdiction in this Court with respect to the claims pleaded by plaintiff herein, and except as so admitted denies the allegations of paragraph 5.

6. Admits that Yums does not object to venue in this district with respect to the claims pleaded by plaintiff herein, and except as so admitted denies the allegations of paragraph 6.

7. Denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraphs 7-9.

8. Denies that the shoe depicted in paragraph 10 of the Complaint embodies a "non-functional" design that "identifies to consumers that the origin of the shoe is NIKE," and otherwise denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 10.

9. Admits that a copy of U.S. Trademark Registration No. 3,451,905 is attached to the Complaint as Exhibit A, and except as so admitted denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 11.

10. Denies the allegations of paragraph 12.

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11. Denies that the design of the shoe depicted in paragraph 10 of the Complaint is a “mark,” and otherwise denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 13.

12. Denies the allegations of paragraphs 14-16.

13. Denies that the design of the shoe depicted in paragraph 10 of the Complaint is a “mark,” denies that YUMS shoes are properly characterized as “Infringing Shoes,” and otherwise denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 17.

14. Denies that YUMS shoes are properly characterized as “Infringing Shoes,” and otherwise denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 18.

***COUNT I***

15. Responding to paragraph 19 of the Complaint, Yums repeats and incorporates by reference paragraphs 1 through 14, above, as if set forth in full.

16. Denies the allegations of paragraph 20.

17. Denies that the design of the shoe depicted in paragraph 10 of the Complaint “is federally registered” or “is entitled to protection under both federal law and common law”; denies that the design of the shoe depicted in paragraph 10 of the Complaint is “non-functional”; denies that the design of the shoe depicted in paragraph

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10 of the Complaint is a “mark,” and otherwise denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 21.

18. Denies the allegations of paragraphs 22-25.

***COUNT II***

19. Responding to paragraph 26 of the Complaint, Yums repeats and incorporates by reference paragraphs 1 through 18, above, as if set forth in full.

20. Denies the allegations of paragraph 27.

21. Denies that the design of the shoe depicted in paragraph 10 of the Complaint “is federally registered” or “is entitled to protection under both federal law and common law”; denies that the design of the shoe depicted in paragraph 10 of the Complaint is “non-functional”; denies that the design of the shoe depicted in paragraph 10 of the Complaint is a “mark,” and otherwise denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 28.

22. Denies the allegations of paragraphs 29-32.

***COUNT III***

23. Responding to paragraph 33 of the Complaint, Yums repeats and incorporates by reference paragraphs 1 through 22, above, as if set forth in full.

24. Denies the allegations of paragraph 34.

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25. Denies that the design of the shoe depicted in paragraph 10 of the Complaint "is federally registered" or "is entitled to protection under both federal law and common law"; denies that the design of the shoe depicted in paragraph 10 of the Complaint is "non-functional"; denies that the design of the shoe depicted in paragraph 10 of the Complaint is a "mark," and otherwise denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 35.

26. Denies knowledge or information sufficient to form a belief as to the truth of plaintiff's allegations that certain features of the shoe depicted in paragraph 10 of the Complaint are purportedly "famous" or have "substantial secondary meaning," and otherwise denies the allegations of paragraph 36.

27. Denies the allegations of paragraphs 37-40.

*COUNT IV*

28. Responding to paragraph 41 of the Complaint, Yums repeats and incorporates by reference paragraphs 1 through 27, above, as if set forth in full.

29. Denies the allegations of paragraph 42.

30. Denies that the design of the shoe depicted in paragraph 10 of the Complaint "is federally registered" or "is entitled to protection Under both federal law and common law"; denies that the design of the shoe depicted in paragraph 10 of the Complaint is "non-functional"; denies that the design of the shoe depicted in paragraph

*Appendix D*

10 of the Complaint is a “mark,” and otherwise denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 43.

31. Denies the allegations of paragraphs 44-47.

**COUNT V**

32. Responding to paragraph 48 of the Complaint, Yums repeats and incorporates by reference paragraphs 1 through 31, above, as if set forth in full.

33. Denies the allegations of paragraph 49.

34. Denies that the design of the shoe depicted in paragraph 10 of the Complaint “is federally registered” or “is entitled to protection Under both federal law and common law”; denies that the design of the shoe depicted in paragraph 10 of the Complaint is “non-functional”; denies that the design of the shoe depicted in paragraph 10 of the Complaint is a “mark,” and otherwise denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 50.

35. Denies knowledge or information sufficient to form a belief as to the truth of plaintiff s allegations that certain features of the shoe depicted in paragraph 10 of the Complaint are purportedly “famous” or have “substantial secondary meaning,” and otherwise denies the allegations of paragraph 51.

36. Denies the allegations of paragraphs 52-55.

*Appendix D***FIRST AFFIRMATIVE DEFENSE**

37. Plaintiff's claims are barred, in whole or in part, by the federal policy found in Article I, § 8, cl. 8 of the Constitution as interpreted in *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237-39 (1964).

**SECOND AFFIRMATIVE DEFENSE**

38. Plaintiff's claims are barred, in whole or in part, by the Patent Act of 1952, as amended, or federal common law as interpreted in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 165 (1989).

**THIRD AFFIRMATIVE DEFENSE**

39. The design of the shoe depicted in paragraph 10 of the Complaint affects the quality of shoes that embody that design, and accordingly is ineligible for protection as a "trademark" under *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 33 (2001).

**FOURTH AFFIRMATIVE DEFENSE**

40. The features recited in Exhibit A to the Complaint affect the quality of shoes that embody those features, and accordingly are ineligible for protection as a "trademark" under *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 33 (2001).

**FIFTH AFFIRMATIVE DEFENSE**

41. Plaintiff's claims are barred, in whole or in part, by laches.

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**COUNTERCLAIM**

Already, LLC d/b/a YUMS, by its attorneys, as and for its counterclaim in this action alleges:

42. Already, LLC d/b/a YUMS ("Yums") is a corporation organized and existing under the laws of Texas, with its principal place of business located in Arlington, Texas.

43. On information and belief, plaintiff Nike, Inc. ("Nike") is a corporation organized and existing under the laws of Oregon, with its principal place of business located in Beaverton, Oregon.

44. On or about July 16, 2009, Nike commenced this civil action against Yums.

45. In its complaint in this action, Nike claimed to be the owner of Registration No. 3,451,905 (the "'905 Registration").

46. In its answer in this action, Yums denies the validity of the '905 Registration and denies the validity of the purported "mark" described and claimed therein.

47. The purported "mark" depicted and described in the '905 Registration is not, in fact, a "trademark" within the meaning of 15 U.S.C. § 1127.

48. The purported "mark" depicted and described in the '905 Registration is not a "symbol" or a "device" used

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“on” or “in connection with” “goods” within the meaning of 15 U.S.C. § 1125(a)(1), but rather consists of integral features of “goods” sold by plaintiff.

49. The file wrapper of the ‘905 Registration does not contain evidence sufficient to support any finding or conclusion that the purported “mark” depicted and described in the ‘905 Registration is primarily perceived, by at least a majority of relevant persons, as a designation of origin as distinct from a style of shoe.

50. The file wrapper of the ‘905 Registration does not contain evidence sufficient to support any finding or conclusion that the purported “mark” depicted and described in the ‘905 Registration is “non-functional” and does not affect the quality of shoes that embody the so-called “mark.”

51. The purported “mark” depicted and described in the ‘905 Registration consists of potentially patentable, but unpatented, subject matter that was fully disclosed to the public long prior to 2007.

52. The purported “mark” depicted and described in the ‘905 Registration is in the public domain as a matter of federal patent law.

53. An actual controversy exists between Yums and Nike regarding whether the purported “mark” depicted and described in the ‘905 Registration is protectable as a trademark under the Trademark Act of 1946, as amended, or under New York state statutory or common law.

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54. An actual controversy exists between Yums and Nike regarding whether the '905 Registration is valid.

55. An actual controversy exists between Yums and Nike regarding whether YUMS shoes embody the purported "mark" depicted and described in the '905 Registration.

56. An actual controversy exists between Yums and Nike regarding whether Yums's marketing or sale of YUMS shoes has infringed or is infringing any rights of Nike in the purported "mark" depicted and described in the '905 Registration or placed on shoes exemplified by the shoe depicted in paragraph 10 of the Complaint.

WHEREFORE, Yums prays that the Court:

- (i) Dismiss the plaintiff's Complaint with prejudice;
- (ii) Declare, adjudge, and decree that the purported "mark" depicted in the '905 Registration is not a valid trademark under federal or New York state law;
- (iii) Declare, adjudge, and decree that the design of the shoe depicted in paragraph 10 of the Complaint herein is not a valid trademark under federal or New York state law;
- (iv) Declare, adjudge, and decree that Yums has not infringed any rights that Nike may have in the purported "mark" depicted in the '905 Registration;

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- (v) Declare, adjudge, and decree that Yums has not infringed any rights that Nike may have in the configuration of the shoe depicted in paragraph 10 of the Complaint herein;
- (vi) Order cancellation of the '905 Registration pursuant to 15 U.S.C. § 1119;
- (vii) Award defendants their costs, disbursements and attorneys' fees as allowed by law; and
- (viii) Award such other and further relief as the Court may deem just and proper.

Dated: New York, New York  
November 19, 2009

FRIED, FRANK, HARRIS SHRIVER  
& JACOBSON LLP

By /s/

James W. Dabney

Randy C. Eisensmith

Elizabeth P. Kozlowski

One New York Plaza

New York, New York 10004-1980

(212) 859-8000

James.Dabney@friedfrank.com

Attorneys for Defendant  
Already, LLC

**APPENDIX E — LETTER FROM ERIK S.  
MAURER TO THE HONORABLE RICHARD J.  
SULLIVAN, DATED DECEMBER 9, 2009**

[LETTERHEAD OF BANNER & WITCOFF, LTD.]

December 9, 2009

Via E-Mail – *sullivan@nysdcourts.gov*

Honorable Richard J. Sullivan  
United States District Court  
500 Pearl Street  
New York, New York 10007-1312

Re: NIKE, Inc. v. Already, LLC, No. 09 Civ. 6366 (RJS)

Dear Judge Sullivan:

On behalf of Plaintiff, NIKE, Inc. (“NIKE”), we write to request that the Court (1) stay the deadline for NIKE to file a motion to strike insufficient defenses pled by Already, LLC (“Defendant”) and (2) arrange a pre-motion conference to address NIKE’s motion to strike.

In response to NIKE’s Complaint, Defendant asserts two purported affirmative defenses based on the mistaken suggestion that NIKE’s claims are preempted by patent laws. However, because Defendant can assert (and has asserted) that NIKE’s trademark is purportedly functional, there is no conflict with federal policy in this case and Defendant’s affirmative defenses are insufficient. Thus, they should be stricken under Rule 12(f), Fed.R.Civ.P., as described below.

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Because Defendant answered the Complaint on November 19, 2009 (Ct. Dckt. No. 17), NIKE's motion to strike is due Monday, December 14, 2009. (Rules 6(d) and 12(f)(2), Fed.R.Civ.P.). On December 7, NIKE asked Already to voluntarily withdraw these defenses but Already refused. Thus, NIKE requests that the Court stay the deadline for NIKE's motion to strike pending resolution of the Court's pre-motion protocols.

***THE CLAIMS AND DEFENSES AT ISSUE***

NIKE asserts federal trademark infringement, unfair competition, and dilution claims, as well as New York unfair competition and dilution claims, against Defendant. (Compl. ¶¶ 20, 27, 34, 42, 49). In response, Defendant asserts five affirmative defenses, including:

(1) that NIKE's "claims are barred, in whole or in part, by the federal policy found in Article I, § 8, cl. 8 of the Constitution as interpreted in *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 – 39 (1964)" (Answer ¶ 37); and

(2) that NIKE's "claims are barred, in whole or in part, by the Patent Act of 1952, as amended, or federal common law as interpreted in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 165 (1989)" (Answer ¶ 38).

Neither defense is viable in this case. In *Bonito Boats*, the Supreme Court reaffirmed and clarified its earlier decisions in *Compco* and *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964). *Bonito Boats*, 489 U.S. at 154-56. Both *Compco* and *Sears* involved state unfair competition

*Appendix E*

laws that attempted to give patent-like protection to unpatented products. *See id.* at 153. The Supreme Court concluded that such statutes interfered with Art. I, § 8, cl. 8 of the Constitution, and implementing federal patent and copyright laws. *See Compco*, 376 U.S. at 237; *Sears*, 376 U.S. at 232. In each case, the state unfair competition law protected the functional features of the articles in question. *Bonito Boats*, 489 U.S. at 153, 156 – 57.

Because the New York unfair competition laws and dilution statute afford Defendant a defense that NIKE's asserted trademark is allegedly functional, they do not protect the functional design of a product, and the "federal policy" of *Bonito Boats* and *Compco* is inapplicable.<sup>1</sup>

Accordingly, Defendant's affirmative defenses based on these cases should be stricken under Rule 12(f), Fed.R.Civ.P. To strike an affirmative defense, (1) there must be no question of fact or law that might allow the defense to succeed, and (2) the plaintiff must be prejudiced if the defense remains. *Specialty Minerals, Inc. v. Pluess-Stauffer AG*, 395 F. Supp. 2d 109, 111 (S.D.N.Y. 2005).

**(1) DEFENDANT'S AFFIRMATIVE DEFENSES CANNOT SUCCEED**

Defendant's affirmative defenses will not succeed because New York law affords a defense that the state

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1. Defendant's affirmative defenses are also insufficient as to NIKE's federal law claims because *Bonito Boats* and *Compco* only apply to *state* unfair competition claims. *Bonito Boats*, 489 U.S. at 153-56; *see also Dallas Cowboys Cheerleaders*, 604 F.2d 200, 203-05 (2d Cir. 1979).

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laws in *Compco* and *Bonito Boats* did not – a defense of functionality.

Importantly, the Second Circuit has addressed similar preemption questions. *Dallas Cowboys Cheerleaders*, 604 F.2d at 203-05, *aff'g*, 467 F. Supp. 366 (S.D.N.Y. 1979). There, the district court determined that the plaintiff's trade dress was not functional and also rejected defendant's arguments that the plaintiff's New York dilution and trademark infringement claims were nevertheless preempted under *Compco* and *Sears*. 467 F. Supp. at 373-74, 375-77. Affirming, the Second Circuit explained that *Compco* and *Sears* "held merely that a state may not, through its law banning unfair competition, undermine the federal patent laws by prohibiting the copying of an article that is protected by neither a federal patent nor a federal copyright." *Dallas Cowboys Cheerleaders*, 604 F.2d at 204. Specifically, "[t]his consideration does not apply in a trademark infringement action where the plaintiff does not assert exclusive rights to the sale of a product but merely to a mark indicating its origin or sponsorship." *Id.*

The Seventh Circuit has also addressed these issues and reached a conclusion consistent with that of the Second Circuit. Specifically, trademark and unfair competition laws do not conflict with federal patent law where a functionality defense is recognized. *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 638 (7th Cir. 1993).

Because the New York unfair competition and dilution laws at issue in this case recognize a functionality defense, they do not conflict with federal patent law. *E-Z Bowlz, L.L.C. v. Profl Prod. Research*, No. 00 Civ. 8670 (LTS)

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GWG, 2003 WL 22068573, at \*24 (S.D.N.Y. Sept. 5, 2003) (citing *Morex S.p.A. v. Design Inst. Am., Inc.*, 779 F.2d 799, 901 (2d Cir. 1985)) (New York unfair competition law requires a non-functional trade dress); *Friesland Brands, B.V. v. Vietnam Nat'l Milk Co.*, 228 F. Supp. 2d 399, 413 – 14 (S.D.N.Y. 2002) (New York dilution statute requires a non-functional trade dress).

Consequently, Defendant's affirmative defenses of alleged preemption will not succeed because, first and foremost, neither New York's unfair competition law, nor its dilution statute, protects functional trade dress. Furthermore, NIKE owns a **federal trademark registration** in the design of its Air Force 1 shoe that provides "prima facie evidence that the mark is registered and valid (*i.e.*, protectable), that the registrant owns the mark, and that the registrant has the exclusive right to use the mark in commerce." *Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc.*, 192 F.3d 337, 345 (2d Cir. 1999) (citing 15 U.S.C. § 1115(a)).

Accordingly, NIKE is not seeking patent-like protection through New York unfair competition and dilution laws; rather, it is protecting its exclusive right to a mark recognized by federal law as one "indicating its origin and sponsorship." As the Second Circuit already determined, preemption does not apply in such cases.

**(2) NIKE WILL BE PREJUDICED IF DEFENDANT'S AFFIRMATIVE DEFENSES REMAIN**

NIKE will be prejudiced if Defendant's affirmative defenses stand because they will result in an irrelevant

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sideshow, unnecessary discovery, and an unjustified expansion of the litigation. *Mony Life Ins. Co. v. Monie Fashions, Inc.*, No. 03 Civ. 9604 (RJH) (KNF), 2004 WL 875929, at \*1 (S.D.N.Y. Apr. 22, 2004) (citing *Estee Lauder, Inc. v. The Fragrance Counter, Inc.*, 189 F.R.D. 269, 272 (S.D.N.Y. 1999) (“Increased time and expense of trial may constitute prejudice to warrant granting a Rule 12(f) motion and a defense should be stricken to eliminate the delay and unnecessary expense from litigating an invalid claim when it is insufficient as a matter of law.”)).

Because Defendant’s affirmative defenses are insufficient as to all of NIKE’s claims, the Court should grant NIKE leave to file a Motion to Strike pursuant to Rule 12(f), Fed.R.Civ.P.

Respectfully submitted,

/s/

\_\_\_\_\_  
Erik S. Maurer

Counsel for Plaintiff, NIKE, Inc.

ESM:kjm

cc: James Dabney, Counsel for Already, LLC (Fried Frank Harris Shriver & Jacobson LLP) (via email)

Keith Sharkin, Counsel for NIKE, Inc. (King & Spalding LLP) (via email)

**APPENDIX F — LETTER FROM JAMES W.  
DABNEY TO THE HONORABLE RICHARD J.  
SULLIVAN, DATED DECEMBER 14, 2009**

[LETTERHEAD OF FRIED, FRANK, HARRIS,  
SHRIVER & JACOBSON LLP]

December 14, 2009

**BY E-MAIL**

The Honorable Richard J. Sullivan  
United States District Judge  
United States District Court  
for the Southern District of New York  
500 Pearl Street, Room 615  
New York, New York 10007

Re: Nike, Inc. v. Already, LLC d/b/a YUMS  
09 Civ. 6366

Dear Judge Sullivan:

In accordance with the Order issued December 9, 2009, we write as counsel for defendant Already, LLC ("Yums") in response to the plaintiff's pre-motion letter dated December 9, 2009.

*Factual Background*

Yums is the owner of U.S. Patent No. D584,040 S entitled "SHOE" (the "McDade '040 Patent"; see Exhibit

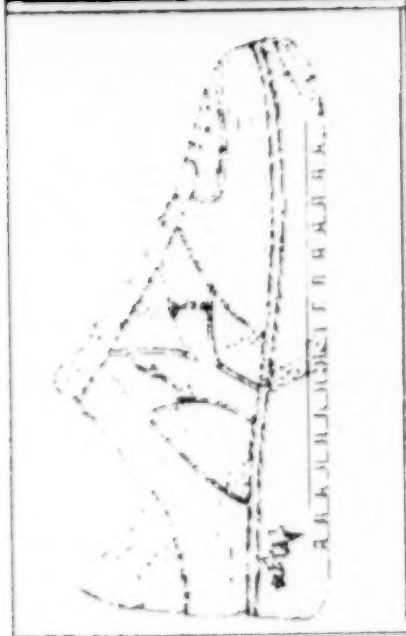
*Appendix F*

1). Figure 3 of the McDade '040 Patent is reproduced at left, below:

Unpatented NIKE Shoe



McDade '040 Patent



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The plaintiff ("Nike") markets and sells various styles of NIKE athletic shoes, including the NIKE "Air Force 1" shoe model depicted at right above. The configuration of the NIKE "Air Force 1" shoe model is unpatented and in the public domain as a matter of federal patent law; however, Nike claims that federal and state *trademark* laws purportedly entitle Nike to exclude Yums from marketing or selling YUMS-branded shoes that practice the McDade '040 Patent.

Yums denies infringement and has counterclaimed for, among other things, cancellation of Nike's U.S. Reg. No. 3,451,905 issued June 24, 2008. "The presumption of validity that federal registration confers evaporates as soon as evidence of invalidity is presented." *Advance Mag. Publ'rs, Inc. v. Norris*, 627 F. Supp. 2d 103, 114 n.2 (S.D.N.Y. 2008) (quoting *Door Sys., Inc. v. Pro-Line Door Sys., Inc.*, 83 F.3d 169, 172 (7th Cir. 1996)).

*First Affirmative Defense*

Yums's first affirmative defense asserts that Nike's purported "trademark" claims are barred, in whole or in part, by "the federal policy, found in Art. I, § 8, cl. 8 of the Constitution, and the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain." *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964). See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964) ("An unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so").

*Appendix F*

Contrary to Nike's suggestion (Nike Dec. 9 letter at 2 & n.1), "the functionality doctrine does not eliminate overlap between the Patent Act and the Lanham Act." *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1507 (10th Cir. 1995). "Patent law seeks the invention and the passing into the public domain of even what trade dress law would consider nonfunctional inventions." *Id.* at 1508. *Compco* itself made clear that the trademark law characterization "nonfunctional" does not "furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling." 376 U.S. at 238.

Courts have repeatedly noted that substantial constitutional questions are raised by claims, like Nike's here, to perpetual "trademark" protection for potentially patentable, but unpatented, product designs that are in the public domain as a matter of federal patent law. *See, e.g., TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 35 (2001); *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 32 (1st Cir. 1998); *Vornado*, 58 F.3d at 1505 n.15. *Cf. United States v. Martignon*, 492 F.3d 140, 149 n.6 (2d Cir. 2007) (to the extent 15 U.S.C. § 1125 might be thought to allocate rights in expression, constitutional question could be raised).

*Second Affirmative Defense*

Yums's second affirmative defense invokes the Patent Act of 1952 and federal common law as interpreted in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 165 (1989). *Bonito Boats* reaffirmed that "patent law creates a federal right to copy and use product features that are in the public domain, whether under an expired

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patent or for lack of patentability in the first place.” *Vornado*, 58 F.3d at 1503. See 489 U.S. at 165. In *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), the Court reaffirmed that the federal patent and copyright laws restrict what can rightly be characterized as a “trademark” under the Lanham Act, and that the Lanham Act must be construed in a way that respects and preserves the “right to copy” that the federal patent and copyright laws create. 539 U.S. at 33-37.

*Rule 12(f) Standards*

“A motion to strike an affirmative defense is not favored and will not be granted unless it appears to a certainty that plaintiffs would succeed despite any state of facts which could be proved in support of the defense.” *Specialty Minerals, Inc. v. Pleuss-Staufer AG*, 395 F. Supp. 2d 109, 111 (S.D.N.Y. 2005) (Marrero, J.) (quotation omitted). “[T]here must be no substantial question of law that might allow the defense to succeed” and “the plaintiff must be prejudiced by the inclusion of the defense.” *Id.*

Nike here asserts that integral features of unpatented goods, having no physical or conceptual separability from the goods of which they are a part, purportedly can be constituted a “trademark” and made a basis for imposing liability based on nothing more than Yums’s sale of shoes that allegedly embody similar features. There is no similarity whatsoever between the parties’ trademarks (YUMS versus NIKE), logos, or point-of-sale packaging.

Nike’s purported “trademark” claim in this case is one that “notoriously lacks the support and endorsement of the

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Supreme Court.” *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 644 (7th Cir. 1993) (Cudahy, J., dissenting). The Second Circuit has not had occasion to consider a “trademark” claim like Nike’s since the Supreme Court’s *TraFFix* and *Dastar* decisions; however, in *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979), the court distinguished the activity challenged in that case -- deceptive use of an arbitrary cheerleader “outfit” in a pornographic movie -- from the type of claim that Nike makes here, which is one to “exclusive rights to the sale of a product.” *Id.* at 204.

Yums’s first and second affirmative defenses raise substantial legal questions and do not broaden the scope of relevant proofs beyond what the Complaint already puts in issue. Nike can show no prejudice from the mere existence of these pleaded defenses.

Yums respectfully suggests that dispositive motion practice should be deferred to a later point in the litigation. Alternatively, to the extent that the Court is inclined to take up the broad constitutional and statutory issues that Nike seeks to raise, Yums in that event would seek leave to cross-move for summary judgment on its first and second affirmative defenses.

Respectfully yours,

/s/ \_\_\_\_\_  
James W. Dabney

cc: Erik S. Maurer, Esq.  
Keith Sharkin, Esq.

71a

*Appendix F*

Exhibit 1 to Dabney Letter –  
United States Design Patent No. US D584,040 S  
(See Supplemental Appendix at pp. SA-2 – SA-6)

**APPENDIX G — PLAINTIFF'S ANSWER TO  
COUNTERCLAIMS IN THE UNITED STATES  
DISTRICT COURT FOR THE SOUTHERN  
DISTRICT OF NEW YORK,  
DATED DECEMBER 14, 2009**

**IN THE UNITED STATES DISTRICT COURT FOR  
THE SOUTHERN DISTRICT OF NEW YORK**

Civil Action No. 09 CIV 6366 (RJS)  
Jury Trial Demanded

**NIKE, INC.,**

Plaintiff,

v.

**ALREADY, LLC, d/b/a YUMS,**

Defendant.

**NIKE, INC.'S ANSWER TO ALREADY, LLC d/b/a  
YUMS COUNTERCLAIMS**

Plaintiff Nike, Inc. ("NIKE") answers the counterclaims of Defendant Already, LLC d/b/a Yums, as follows.

***COUNTERCLAIMS***

**ANSWER**

42. Already, LLC d/b/a YUMS ("Yums") is a corporation organized and existing under the laws of

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Texas, with its principal place of business located in Arlington, Texas.

**RESPONSE:**

NIKE admits that Already, LLC is identified as a Limited Liability Company of the State of Texas, but is without knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 42 and therefore they are denied.

**ANSWER**

43. On information and belief, plaintiff Nike, Inc. ("Nike") is a corporation organized and existing under the laws of Oregon, with its principal place of business located in Beaverton, Oregon.

**RESPONSE:**

NIKE admits the allegations of Paragraph 43.

**ANSWER**

44. On or about July 16, 2009, Nike commenced this civil action against Yums.

**RESPONSE:**

NIKE admits the allegation in Paragraph 44.

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**ANSWER**

45. In its complaint in this action, Nike claimed to be the owner of Registration No. 3,451,905 (the "'905 Registration").

**RESPONSE:**

NIKE admits the allegation in Paragraph 45.

**ANSWER**

46. In its answer in this action, Yums denies the validity of the '905 Registration and denies the validity of the purported "mark" described and claimed therein.

**RESPONSE:**

NIKE admits the allegations in Paragraph 46.

**ANSWER**

47. The purported "mark" depicted and described in the '905 Registration is not, in fact, a "trademark" within the meaning of 15 U.S.C. § 1127.

**RESPONSE:**

NIKE denies the allegations of Paragraph 47.

*Appendix G***ANSWER**

48. The purported "mark" depicted and described in the '905 Registration is not a "symbol" or a "device" used "on" or "in connection with" "goods" within the meaning of 15 U.S.C. § 1125(a)(1), but rather consists of integral features of "goods" sold by plaintiff.

**RESPONSE:**

NIKE denies the allegations of Paragraph 48.

**ANSWER**

49. The file wrapper of the "905 Registration does not contain evidence sufficient to support any finding or conclusion that the purported "mark" depicted and described in the '905 Registration is primarily perceived by at least a majority of relevant persons, as a designation of origin as distinct from a style of shoe.

**RESPONSE:**

NIKE denies the allegations of Paragraph 49.

**ANSWER**

50. The file wrapper of the '905 Registration does not contain evidence sufficient to support any finding or conclusion that the purported "mark" depicted and described in the '905 Registration is "non-functional"

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and does not affect the quality of shoes that embody the so-called mark."

**RESPONSE:**

NIKE denies the allegations of Paragraph 50.

**ANSWER**

51. The purported "mark" depicted and described in the '905 Registration consists of potentially patentable, but unpatented, subject matter that was fully disclosed to the public long prior to 2007.

**RESPONSE:**

NIKE lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 51 and therefore they are denied.

**ANSWER**

52. The purported "mark" depicted and described in the '905 Registration is in the public domain as a matter of federal patent law.

**RESPONSE:**

NIKE lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 52 and therefore they are denied.

*Appendix G***ANSWER**

53. An actual controversy exists between Yums and Nike regarding whether the purported "mark" depicted and described in the '905 Registration is protectable as a trademark under the Trademark Act of 1946, as amended, or under New York state statutory or common law.

**RESPONSE:**

NIKE admits the allegations in Paragraph 53.

**ANSWER**

54. An actual controversy exists between Yums and Nike regarding whether the '905 Registration is valid.

**RESPONSE:**

NIKE admits the allegations in Paragraph 54.

**ANSWER**

55. An actual controversy exists between Yums and Nike regarding whether YUMS shoes embody the purported "mark" depicted in the '905 Registration.

**RESPONSE:**

NIKE admits the allegations in Paragraph 55.

*Appendix G***ANSWER**

56. An actual controversy exists between Yums and Nike regarding whether Yum's marketing or sale of YUMS shoe infringed or is infringing any rights of Nike in the purported "mark" depicted and described in the '905 Registration or placed on shoes exemplified by the shoe depicted in paragraph 10 of the Complaint.

**RESPONSE:**

NIKE admits the allegations in Paragraph 56.

**ANSWER**

WHEREFORE, Yums prays that the Court:

- (i) Dismiss the plaintiff's Complaint with prejudice;
- (ii) Declare, adjudge, and decree that the purported "mark" depicted in the '905 Registration is not a valid trademark under federal or New York state law;
- (iii) Declare, adjudge, and decree that the design of the shoe depicted in paragraph 10 of the Complaint herein is not a valid trademark under federal or New York state law;
- (iv) Declare, adjudge, and decree that Yums has not infringed any rights that Nike may have in the purported "mark" depicted in the '905 Registration;

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- (v) Declare, adjudge, and decree that Yums has not infringed any rights that NIKE may have in the configuration of the shoe depicted in paragraph 10 of the Complaint herein;
- (vi) Order cancellation of the '905 Registration pursuant to 15 U.S.C. § 1119;
- (vii) Award defendants their costs, disbursements and attorney's fees as allowed by law; and
- (viii) Award such other and further relief as the Court may deem just and proper.

**RESPONSE:**

NIKE denies that Counterclaimant is entitled to any of the relief sought in its Prayer.

Dated: December 14, 2009

Respectfully submitted,  
/s/ Erik S. Maurer  
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***Attorneys for Plaintiff,  
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**APPENDIX H — EXCERPTS OF TRANSCRIPT  
IN THE UNITED STATES DISTRICT COURT,  
SOUTHERN DISTRICT OF NEW YORK,  
DATED JANUARY 20, 2010**

[1] UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

09 Civ. 6366 (RJS)

NIKE, INC.,

Plaintiff,

v.

ALREADY, LLC,

Defendant.

New York, N.Y.  
January 20, 2010  
9:10 a.m.

Before:  
HON. RICHARD J. SULLIVAN,  
District Judge

\* \* \*

[2] (Case called)

MR. SHARKIN: Good morning, Keith Sharkin from  
king & Spalding. With me this morning are Chris Renk  
and Erik Maurer.

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MR. DABNEY: Jim Dabney from Fried Frank and with me is Randy Eisensmith.

THE COURT: Good morning to each of you.

Let me just say, first of all, we are doing this not in my courtroom. Judge Stanton has a trial going on. So I'm wearing civvies because I normally would do this in the robing room, but I don't really have access to this robing room.

I have received, I guess, a couple of letters from the parties recently, and that's after letters that sort of stayed this matter because it looked like you folks were going to be settling. What I now have is a January 15 letter from Nike basically proposing a new case management plan, and then I have a response from Mr. Dabney on behalf of the Yums, which is dated January 19, which basically opposes that, and then there is also correspondence related to the contemplated motion to strike counterclaims.

So let's start with the case management plan. I received a case management plan jointly from the parties as well as a letter, joint letter, summarizing what this case was about back in November, November 13. Shortly after that I then got a request from the parties asking that the initial conference that I had set be adjourned so that the parties [3] could explore a settlement, and that went on for some time. I never actually signed the proposed case management plan. I didn't order it.

So now that it looks like we are not settling and it looks like we are going forward, what I'm inclined to do

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is basically adopt the case management plan, but add the time between November 13 and today because I certainly hadn't expected that anybody was doing discovery between November and now. I certainly hadn't ordered that they do it. That's my inclination.

I think the proposed case management plan that Nike submitted calls for a longer period of time. For example, where I would be having all fact discovery now closing June 10, which is two months and a week after the originally proposed April 2 date, I think Nike is proposing a date in August, August 2. I am not going to give that much time unless there is something I missed that has really altered the discovery landscape

MR. RENK: Your Honor, if I may, the parties have a meeting scheduled on February 2 to discuss settlement, face-to-face meeting.

One of the reasons why we selected the four-month deadline is there is a piece of the puzzle that will affect the parties' scheduling and planning, and that is, Already has filed an offensive action against [4] schedule in Texas, for all intents and purposes, would coincide with the four-month extension that we proposed to your Honor with dispositive motions being filed on or about the same time. So that was part of our thinking, along with the fact that if the case doesn't settle, it likely will be very heavily expert intensive with roughly four likely candidates for expert discovery, and that's why we thought four months was a reasonable amount of time, while at the same time not being excessive. It does coincide with the other case.

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THE COURT: They disagree. You had previously agreed to a schedule that didn't call for four months. The other case -- this is the first I'm really hearing of the other case, but that's life. There is lots of folks who have litigation that is going on different tracks in different places, and maybe the Texas matter is the same or different than this. I don't really know.

Mr. Dabney, do you want to be heard?

MR. DABNEY: Your Honor, I just want to make clear, as I think is evident from the correspondence that we submitted to your Honor yesterday, the sole reason why the December 11 conference was adjourned was because I happened to have a major conflict with another case in Virginia that day, and we couldn't get back from Virginia in time.

But as the correspondence indicates, the parties were aggressively moving part with discovery the entire time. The [5] idea that there was a postponement or deferral or cessation of activity in this case on account of settlement discussions is simply totally inaccurate.

THE COURT: That's wonderful, but I didn't sign any discovery order.

MR. DABNEY: I wanted your Honor to understand that both parties acted in accordance with their agreement that discovery would end on April 2. And that was why there was both interrogatories, document discovery, and attempted deposition discovery, as well as this pending

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premotion correspondence. So I just wanted to make your Honor aware of the defendant's position that the parties reached a stipulation. It was jointly submitted.

And it is certainly true that Nike has been suing for peace repeatedly. But it was always in the context of an abbreviated and accelerated schedule that would conform to the 120 days which is standard in your Honor's Court. I just wanted the record to be clear that I think it's a misimpression on your Honor's part that the parties were not acting in accordance with the November 13 case management plan throughout this period.

THE COURT: I've got your December 2 letter and I don't see anything about discovery being aggressively pursued. What it does talk about is the parties are continuing to discuss settlement, and we will use the extension of time to [6] further their discussions. It also bumped what was going to be a December 4 date to January, so it was a full month. If I had a misimpression, I think you're at least partially guilty for it.

In any event, if you folks have been aggressively pursuing discovery in the interim, that's great. It shouldn't take you that long to meet the discovery deadlines that I have now ordered or I'm about to order.

But I think what's really going on is that you're each jockeying for some advantage in a case that you know is going to settle, so the shorter discovery schedule you think would be in your interests. You think the motions -- the counterclaims are in your interest as well. They think the

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motion to strike will somehow give them leverage. I'm not inclined frankly to grant that motion now. If it really is as frivolous as they say, there will be a time for sanctions on that. I don't want to be the net in your tennis match. If that's what you want to do, I won't stop you from writing a motion. You can make your motion to strike. You don't have to respond until it's received. Unless I think there is really some reason to have you spend a lot of time and money on a brief, I'm not going to order you to do it. If the thing is really going to settle, you should settle. If it's not going to settle, we should go forward with discovery, regardless of what's going on in Texas.

Anything else we should discuss today?

[7] MR. RENK: No, your Honor.

THE COURT: Mr. Dabney. You are not going to show your props?

MR. DABNEY: I had wanted, your Honor. I thought it would be helpful for your Honor to see what the case actually was about.

THE COURT: I don't mind looking at the props. There is an attachment -- it's not an attachment. You have a photograph on the first page of your December 14 letter as well as attachments that I guess are from --

MR. DABNEY: I think perhaps your Honor can appreciate why the defendant viewed this as an exceptional case if your Honor could just look at the packaging and the products. We do not believe that -- I don't think that

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there could be two more different appearing products in the marketplace, both in terms of the packaging that the customer sees, or in terms of the actual physical shoes which have their own distinct markings on them.

THE COURT: I think that was apparent from your letter. I guess I can ask plaintiffs. What is it, they both have laces? What is it that is both similar --

MR. RENK: Your Honor, it's the overall appearance of the shoe as described in the trademark registration, the panel configuration in combination with the eyelet stays, in combination with the outsole serration. It's the overall [8] appearance of the shoe, the configuration of the shoe, your Honor, that's at issue.

THE COURT: I'm not about to resolve that now. I'm not sure I'll ever have to resolve it. They sure look different to me, at least from a distance of 30 feet, and based on what's in the December 14 letter. I don't think it's relevant to anything that's before me right now.

Do you plan to make this motion? We should plan a motion schedule if you plan to make a motion to strike. If you want to confer, you can get back to me, if you'd like.

MR. RENK: May I have a moment?

THE COURT: Sure.

MR. RENK: Your Honor, may we have until February 26 to file the motion because I'd like to file it after the last settlement conference.

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THE COURT: That's fine. You can file a motion. Once I see the motion, I will issue an order either directing a response, or you can submit a letter indicating that you want to respond and by when, Mr. Dabney?

MR. DABNEY: Your Honor, if such a motion is filed, we would respectfully seek leave to cross-move for judgment in our favor on these.

THE COURT: Why don't we see what's filed and then at that point, why don't you then submit a letter indicating that you are going to cross-move. You haven't really articulated [9] the cross motion at this point, have you? Is it in your letter?

MR. DABNEY: In our letter our position is as a matter of statutory construction the physical things that they are saying are trademark are not in law trademark. They are goods. They are trying to use trademark law to protect goods.

THE COURT: You are saying your opposition would also serve as a cross motion.

MR. DABNEY: Exactly.

THE COURT: Why don't we see what's filed and then you can let me know whether you intend to make the cross motion based on what you have seen and whether you want to respond. And if you don't want to respond but I think it's necessary for you to respond, I'll issue an order to that effect. If they are going to file by the 26th, why

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don't you submit a letter indicating what you intend to do by the following --

MR. MAURER: Your Honor, February 26 is a Friday.

THE COURT: So the following Friday, which is March 4 -- whatever the following Friday is. I'll issue an order when I've got a calendar in front of me. Then I'll issue a subsequent order after that. In the meantime, I will issue the case management plan. I will tell you, I'll put it on ECF.

Basically, I've just added two months and a week to every date that's on here. I've set a date for a postdiscovery conference September 8 at 9:15, unless someone knows they are [10] going to be on vacation. That's after Labor Day.

MR. DABNEY: Your Honor, there is one issue that was unresolved that I think is appropriate to raise at this time. It's identified as an unresolved issue in the joint submission that was presented.

You just heard plaintiff's counsel indicate that if the case does not settle the plaintiff is likely going to rely on trademark survey evidence. And one of the most manipulable forms of expert evidence in cases is trademark survey evidence and, therefore, the plaintiff has requested that all drafts and intermediate work product of their survey expert be immune to discovery. We have strenuously opposed that and it seems to me that discovery of experts in this case should be in accordance

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with the federal rules and there should not be any kind of blanket immunity to discovery for the intermediate efforts of expert witnesses in this case. Sometimes parties agree to that, but in this case we feel very strongly that the reliability and credibility of any survey that may be offered in this case will be affected fundamentally if it turns out they ask some questions, didn't like some of the responses they got, and went back and asked more questions. That's been known to happen in trademark infringement litigation.

This issue is identified in paragraph 16 of the proposed case management plan that was submitted. And our position simply is that the Federal Rules of Civil Procedure [11] clearly entitle a litigant to discovery of nonprivileged information in possession of experts. In the absence of some waiver of that, there is some attorney-client or other privilege that attaches to that, and especially in trademark infringement case it's crucial that we be entitled to see the entire process by which the expert ultimately arrived at whatever conclusion that he arrived at. So we very strongly oppose the suggestion that Nike has made that it be able to make six or seven false starts and only reveal the final end product that their survey expert may choose to come up with.

MR. RENK: May I be heard, your Honor?

THE COURT: Certainly.

MR. RENK: I'm not sure the basis for Mr. Dabney's inference that I would manipulate data -- I just met

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him today -- but I could say this. We just mirrored the language in the new federal rules, which will be part of the federal rules in the future. This is a provision that we have agreed to in the Texas case, so we figured and assumed that they would be willing to follow it in this case. That's a trademark case as well.

THE COURT: Mr. Dabney, you are saying that I should stick with the federal rules until they are changed, and they are saying I should institute the change in the federal rules. MR. DABNEY: Your Honor, I'm not aware of any provision in the federal rules currently that would block [12] discovery of experts activities and studies and analysis that lead to the final product. Very often in litigation parties agree for the sake of convenience among themselves that they will not seek discovery of expert draft reports and so on. But in this case there is no such agreement, and certainly this basically is the subject of pending discovery right now where we have asked for it, they have objected to it, and presumably there will eventually be a ruling for it. What Nike is asking is for a blanket ruling in advance that all intermediate steps and researches and questionnaires and false starts that their survey expert may do should be immune to discovery --

THE COURT: They didn't plug it out of thin air. At least according to what's written on paper, they are basically asking that I order this consistent with the ABA's recommendation.

MR. DABNEY: All I can say is, I do not believe that there is any blanket categorical principle that says in a

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trademark infringement case a survey expert should be allowed to try six or seven things and only reveal the last one. It's just fundamentally unfair. I don't think that an ABA recommendation in the abstract should trump the reality and the facts of a case like this. We have a real case. This is a real situation. I can tell you from past experience that this type of expert testimony is very often the result of trial and error, and you only want to reveal the last best results.

[13] THE COURT: You may want to dash off a letter to the ABA to let them know of your views on this. I'm going to say, absent an agreement of the parties, I am going to apply the rules that exist now.

I think I guess I will scrap 16(b) in what is the proposed case management plan for November 13. That's not to say that the parties can't reach some accommodation that's efficient or at least more efficient than everybody spending a lot of time and money on discovery, but that's up to you. I won't tell you how to resolve these disputes. In the absence of an agreement I will default to the existing federal rules.

Anything else we should cover?

Thank you, all. Have a good day.

\* \* \* \*

**APPENDIX I — DECLARATION OF JAMES W.  
DABNEY, FOR DEFENDANT, IN THE UNITED  
STATES DISTRICT COURT, SOUTHERN  
DISTRICT OF NEW YORK,  
DATED MARCH 25, 2010**

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

**09 Civ. 6366 (RJS)  
ECF CASE**

**NIKE, INC.,**

**Plaintiff,**

**- v -**

**ALREADY, LLC d/b/a YUMS,**

**Defendant.**

**DECLARATION OF JAMES W. DABNEY**

1. My name is James W. Dabney. I am a member of the Bar of this Court and of firm of Fried, Frank, Harris, Shriver & Jacobson LLP, counsel for defendant Already, LLC d/b/a YUMS ("YUMS") in this action. I have personal knowledge of the matters stated in this declaration.

2. Annexed hereto as Exhibit 1 is a Covenant Not to Sue dated March 19, 2010, that plaintiff NIKE, Inc.

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("NIKE") delivered to YUMS in New York, New York on March 22, 2010.

I, JAMES W. DABNEY, hereby declare under penalty of perjury that the foregoing is true and correct.

Dated: March 25, 2010

/s/  
James W. Dabney

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**EXHIBIT 1 TO DABNEY DECLARATION—  
COVENANT NOT TO SUE,  
DATED MARCH 19, 2010**

***COVENANT NOT TO SUE***

This Covenant Not to Sue (“Covenant”) is made by NIKE, Inc., an Oregon corporation having a principal place of business at One Bowerman Drive, Beaverton, Oregon 97005 (“NIKE”), and is effective as of March 19, 2010 (“Effective Date”).

***RECITALS***

WHEREAS, on July 16, 2009, NIKE commenced civil action number 09-CV-6366 against Already, LLC, a Texas limited liability company, with a principal place of business at 3501 State Highway 157, Suite 101, Euless, Texas 76040 (“Already”), in the United States District Court for the Southern District of New York (the “Complaint”) asserting claims for (a) trademark infringement under Section 32(1) of the Lanham Act, (b) false designation of origin/unfair competition under Section 43(a) of the Lanham Act, (c) dilution under Section 43(c) of the Lanham Act, (d) trademark infringement and unfair competition under the common law, and (e) dilution under Section 360 of the New York General Business Law, all in relation to the NIKE Mark (defined below);

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WHEREAS, NIKE represents and warrants that it owns federal and common law trademark rights in the design of NIKE's Air Force 1 low shoe, including United States Trademark Registration Number 3,451,905, registered June 24, 2008, collectively hereafter referred to as the "NIKE Mark;"

WHEREAS, NIKE has recently learned that Already's actions complained of in the Complaint no longer infringe or dilute the NIKE Mark at a level sufficient to warrant the substantial time and expense of continued litigation and NIKE wishes to conserve resources relating to its enforcement of the NIKE Mark; and

NOW, THEREFORE, NIKE covenants as follows:

***COVENANT***

NIKE for and on behalf of itself, its parents, subsidiaries, divisions, related companies, affiliated companies, licensees, independent contract manufacturers, assigns, and/or other related business entities, as well as any of their predecessors, successors, directors, officers, employees, agents, distributors, attorneys, representatives, and employees of such entities, hereby unconditionally and irrevocably covenants to refrain from making any claim(s) or demand(s), or from commencing, causing, or permitting to be prosecuted any action in law or equity, against Already or any of its parents, subsidiaries, divisions, related companies, affiliated companies, licensees, independent contract manufacturers, assigns, and/or other related business

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entities, as well as any of their predecessors, successors, directors, officers, employees, agents, distributors, attorneys, representatives, and employees of such entities and all customers of each of the foregoing (whether direct or indirect), on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law in the United States relating to the NIKE Mark based on the appearance of any of Already's current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant.

/s/

By: Julianne Davis, Esq.  
Title: Assistant General Counsel  
NIKE, Inc.

**APPENDIX J — TRANSCRIPT OF  
PROCEEDINGS, DATED APRIL 2, 2010**

**[1] UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

**09 CV 6366 (RJS)**

**NIKE, INC.,**

**Plaintiff,**

**v.**

**ALREADY, LLC,**

**Defendant.**

**New York, N.Y.  
April 2, 2010  
10:00 a.m.**

**Before:  
HON. RICHARD J. SULLIVAN,  
District Judge**

**[2] (Case called)**

**(In open court)**

**THE DEPUTY CLERK: Nike v. Already, 09 CR 6366.**

**THE COURT: Appearances for the plaintiff?**

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MR. MAURER: Good morning, your Honor. Eric Maurer on behalf of Nike.

MR. SHARKIN: And Keith Sharkin.

THE COURT: Good morning, have a seat.

MR. DABNEY: James Dabney, Fried Frank, for the defendant Already, LLC.

THE COURT: Mr. Dabney, good morning.

MR. EISENSMITH: Randy Eisensmith, Fried Frank, for Already LLC.

THE COURT: Good morning.

All right, I have reviewed several letters between the parties. I have a March 22nd letter from Mr. Maurer, a March 24th letter from Mr. Sharkin, I then have a March 25th letter which I believe is from Mr. Dabney, as well as I believe a March 31 letter, which I believe is joint in relation to discovery disputes, but on the second page there is a legal discussion of the effect of the proposed covenant not to sue on jurisdiction and the citation to McCarthy and to two cases, one from Judge Chin in this court, GMA Accessories and the other from Northern District of Illinois, Ciber, Inc. v. Ciber Consulting.

[3] So I've looked at those. I think it's an interesting question as to whether or not the covenant that plaintiffs propose is enough to basically strip me of jurisdiction. Mr.

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Dabney, you've not had a chance or have not in any event responded to the Northern District of Illinois case, also the McCarthy treatise, which seems not on all fours, but seems to be support for the proposition of plaintiffs. Do you have a view?

MR. DABNEY: Yes, your Honor. I'd be glad to offer preliminary views now, if you want to have the benefit of full briefing and argument on it. Already's position is very simple. The registration in this case is a continuing libel against the business and property of the defendant. It is causing, we contend, damage and injury that the Court has jurisdiction to remedy, which is not at all completely eliminated by the covenant that's been given.

THE COURT: Wait. You think you could walk in here — just three months ago you couldn't have just walked in here and brought a case in federal court? You're conceding you can't do that, right?

MR. DABNEY: No. The way of authority is the Trademark Act does not authorize a litigant in Already's position to come in and commence original action and thereby bypass the cancellation proceedings.

THE COURT: So this libel that has been rendered, when [4] does this take place?

MR. DABNEY: The libel flows from the combination of the registration itself, coupled with the contention of the plaintiff in this case, which we believe has been widely published throughout the footwear industry that

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the product line that is attacked in this case embodies the claimed trademark disclosed in that registration, and for the plaintiff now after having engaged in this activity to say that Yums should have to continue to operate in the shadow of this registration so that next year's line will be subject to suit in the same way that this year's line was, is totally unacceptable.

We believe that under 28 U.S.C. Section 1367 there is no question but that the Court would retain jurisdiction to hear and determine the counterclaim that Yums has completed in this case, even if the Court were to dismiss all of the claims of the plaintiff with prejudice. One significant thing that has happened last week –

THE COURT: Slow down a bit.

MR. DABNEY: Yes. In the correspondence this week, Nike has made clear that what they're seeking is dismissal of the complaint with prejudice, which is not something that was in their March 22 letter, and if the Court dismisses claims with prejudice that would be an interlocutory order that would certainly dispose of any claim that Nike has in this civil [5] action.

Under 28 U.S.C. Section 1331 and 28 U.S.C. Section 1337, the jurisdictional unit in federal court is civil action, not the claims that the plaintiff may happen to plead. Therefore, this civil action, subject matter jurisdiction of this Court attached when the civil action was commenced –

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THE COURT: So you're saying the Northern District, Judge Gettleman got it wrong.

MR. DABNEY: I believe two things about that case. Number one, it relies on case law that has basically been overruled by an intervening Supreme Court decision in 2007, number one. And, number two, the facts of this case are totally distinguishable from the facts in that case. Here we have not a guy who doesn't – that was to be a dispute over trade name, basically over an individual in Illinois. What we have here is –

THE COURT: It's a jurisdictional opinion, right? I mean, so I'm not sure –

MR. DABNEY: It's a district court opinion, we think it's intentioned with a Ninth Circuit decision and relies on reasoning that has been discredited by intervening Supreme Court precedent.

THE COURT: What intervening Supreme Court precedent?

MR. DABNEY: Medimmune v. Genentech. The reasoning of that 2004 decision, Cipher, which is cited by Nike rests [6] entirely on the now discredited body of federal circuit precedent which says a federal court has no authority to hear an claim for declaratory judgment of invalidity unless the person seeking the relief is himself in reasonable apprehension of suit for infringement, and that was the interpretation of arising under that was presented to the Supreme Court in Medimmune and was specifically disapproved in Medimmune in January of 2007.

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So we would argue that under the Medimmune case the legal framework applied in the Cipher case has been discredited. And in any event, the facts here are very different than the facts in Cipher. Here in this case, your Honor, the very covenant that they deliver asserts on its face that Yums shoes purportedly embody the claimed registered trademark in this case, and they do not in any way concede the absence of infringement. They continue to assert infringement that they would have the entire industry believe that Yums is now such small potatoes that they're not worth bothering with. That's all very well and good for them to say now. But Yums has a very real and substantial interest in having this cloud removed from its business.

THE COURT: Isn't a dismissal with prejudice a pretty good way to remove clouds?

MR. DABNEY: There is no way, your Honor, that Yums can make known to all of the shoe buyers everywhere in the [7] country with whom it may not have any relationship that this registration that's out there that Nike contends covers our products is of no effect as to Yums. Number one.

THE COURT: Why not? So an order from me will, boy, that will move mountains, but –

MR. DABNEY: Canceling the registration –

THE COURT: Let me finish, Mr. Dabney. You've done this before. I get to talk, because I make less money than

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you, but I get to wear robes and sit up high, all right? So the point is that you're suggesting that an order from me will move mountains, but a dismissal with prejudice will not just, the word won't get out?

MR. DABNEY: Leaving the registration intact is the problem.

THE COURT: Then you can go if you want, it seems to me, you can go take an action down in Washington to get the registration canceled, right?

MR. DABNEY: Your Honor –

THE COURT: You've never done that before. Your client hasn't attempted to do that before, has he?

MR. DABNEY: Your Honor, our client –

THE COURT: Just answer that question.

MR. DABNEY: It has not. What it has done, it has invoked its rights in this Court to ask for this Court to adjudicate that.

[8] THE COURT: I had noticed that, thanks. But the issue is never before this action has anybody at Yums, your client, attempted to cancel the registration, right?

MR. DABNEY: That's certainly true.

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THE COURT: The registration has been around for how long?

MR. DABNEY: Since 2008.

THE COURT: Was this action the first time you were aware of Nike taking this position?

MR. DABNEY: I believe it is.

THE COURT: There were no letters in advance of the action in this case?

MR. DABNEY: I do not know of my own knowledge whether shortly prior to filing of the suit there were communications between Nike and Already. I did not represent Already at that time. However, it's my understanding that the claim of Nike came in this case as a surprise to Already. And basically when hostilities broke out between the parties, Already challenged Nike's claim in the proper way, and if they had attempted to commence a cancellation proceeding it would have been stayed pending the outcome of this case.

So your Honor should be aware that the fact that a district court can hear an appeal from a decision in a cancellation case is actually very powerful confirmation that there is jurisdiction and the Court does have jurisdiction to [9] hear this case, because if that were not true, a federal district court could never hear an appeal in a cancellation proceeding. So all that would happen, what Nike would engineer by this maneuver is it would

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delay for years any final resolution of the validity of this registration.

THE COURT: Why do you say that, delay for years?

MR. DABNEY: Because, because we have a proceeding now in which all fact discovery is supposed to be concluded by June 10. The issue has been joined and we have a right, we could move for summary judgment right now on certain grounds for seeking cancellation. If we were to be thrown out of Court, supposedly on jurisdictional grounds which we don't think are valid, then we have to start completely over again, file a cancellation petition and go through an entire proceeding which would take years in the trademark trial and appeal board.

THE COURT: Why do you say it would take years?

MR. DABNEY: Because that's my practice experience, your Honor. And then when the board finally renders its decision, then if we were to prevail, the losing party would have the right, or if we were not to prevail, the losing party would have a right to commence a district court proceeding to seek judicial review of the board's decision. So it just would be a circuitous way of returning right back to the position we're in right now.

[10] The Second Circuit has repeatedly rejected the notion that trademark registration disputes involve expertise that warrant the exercise of primary jurisdiction or there's any reason to delay or defer a federal district court proceeding on account of the theoretical possibility

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the same question could be presented to the trademark trial and appeals board. The Goya case in 846 F.2d is the most salient example of that.

But we're talking about, the choice at the moment is we either go forward now and get a prompt, inexpensive adjudication of what we believe is a legal question. What's described in that registration either is a trademark or is isn't. We say it isn't, they say it is: That's a legal question that we believe your Honor can and should decide promptly either in the context of a cross motion if they file their Rule 41 motion or later on in the case. But regardless, the alternative that your Honor seems to be suggesting is one that –

THE COURT: I didn't suggest it. I understand the Northern District of Illinois has ruled on something very similar, right?

MR. DABNEY: The Cipher case –

THE COURT: Ciber. It is C-i-b-e-r.

MR. DABNEY: It could be.

THE COURT: I've got it here.

MR. DABNEY: Yes. We would suggest that, as I said [11] earlier, I believe that the legal premises of that decision have been undercut and overruled by intervening Supreme Court decision and we would believe, we would suggest that our facts are very different and we're

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prepared to demonstrate that unlike the situation with the defendant in that case, Yums has a real business, the posture of these parties is very different and we have very real and substantial reasons for seeking cancellation of this registration.

Again, we cannot possibly know who all is going to see this registration. If it weren't so important to Nike, they wouldn't be trying so hard to avoid any reaching of the merits of this question. We could tee it up right now and adjudicate it. It's causing damage to us, and' we're entitled to seek its cancellation.

THE COURT: Well, but I think it's causing damage to you, you're entitled to seek its cancellation would seem to apply, then, for an original filing as well. You're conceding that's not the case.

MR. DABNEY: That's simply because of the way 1119 is worded. This is why we in our March 25 letter voiced objection to the Rule 41 motion of Nike, and the reason for that very simply is that because there is no express private right of action to seek cancellation under Section 1119, we're concerned that if the complaint is dismissed without the condition being that the Court retain supplemental jurisdiction to hear our [12] counterclaim, that that would be an unfair outcome for Already. So that's why we feel that under Rule 41(a)(2) it would be improper for the Court to dismiss their complaint unless our counterclaim could remain pending for adjudication, which we believe is the case. But it's not burden to demonstrate that, it's their burden to demonstrate that and they haven't done

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that. So our view is under 1367 they want to dismiss their complaint with prejudice, fine, but it can only be on circumstances that allow us to remain in court and get a prompt, inexpensive determination of the counterclaim.

THE COURT: All right. I'm not sure how inexpensive it is, but –

MR. DABNEY: Well, it's inexpensive in the sense that we've been in this case now, issue was joined last November, we've had a case management conference, there's been a lot of discovery requests exchanged.

THE COURT: But no discovery basically done.

MR. DABNEY: Your Honor, we have – this has been – there's been this incredible stall on the other side. We've tried and tried and tried to move forward with discovery, and we're always met, well, we're having settlement discussions and the settlement discussions, just – it's not – we have never, ever been anything other than trying to reach, get to judgment as quickly as possible on this case.

THE COURT: All right. Well, I'm just looking at the [13] letter, I guess it's from the 31st, and I thought there was a suggestion that your client hasn't provided any discovery either, right? Is that not true?

MR. DABNEY: Your Honor, we invited them on March 16 to come and look at any documents that they wanted, as I understand it. Nike has never been interested in seeking any documents from us, and now they've dismissed all of

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their, they've given us a covenant, basically, so that seems to me that that is just a litigation make weight argument. They have not voiced the slightest interest in seeking discovery against us. But they've been welcome to come down and look at our documents any time.

THE COURT: All right. Let me hear from Mr. Maurer.

MR. MAURER: Yes, your Honor. Your Honor, let me begin by saying Mr. Dabney's firm is one of three different law firms that Already has engaged to represent it in this action and also in the pending litigation in the Northern District of Texas, and there have been numerous communication failures over time and it has been incredibly difficult over the past eight months to determine whether we're negotiating settlement or at some juncture where we need to start litigating.

I was not aware that Already had made any invitation for us to come inspect documents on the 16th, but that is a separate issue.

Let me return to what I was very glad to hear Mr. [14] Dabney acknowledge, that cancellation is merely a remedy, and the only basis in these pleadings and in this case for Already to seek the relief, the remedy of cancellation, is through its counterclaim. The Northern District Ciber case and the analysis that Judge Gettleman sets forth is directly on all fours with the posture of this case.

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**THE COURT:** Well, you heard what Mr. Dabney said that it's been basically subsequent Supreme Court precedence makes the reasoning of that case suspect.

**MR. MAURER:** Thank you, your Honor. Medimmune, the Medimmune decision that Mr. Dabney refers to is not on point. Medimmune related specifically to a revised declaratory judgment standard that the federal circuit had implemented that related to a reasonable apprehension. Essentially the Supreme Court said in Medimmune that the federal circuit had lowered the bar for declaratory judgment jurisdiction and Medimmune said patent cases are no different than any other case such as the trademark case in Ciber, and that the federal circuit should apply the same declaratory judgment standards as everyone else.

The Ciber Court, Judge Gettleman was looking at Article III case or controversy jurisdiction, exactly the same standard that the Supreme Court in Medimmune says is the rule of the land. The Bancroft case that Mr. Dabney also relies on from the Ninth Circuit is completely off point. It mentions in [15] two paragraphs of dicta some suggestion that there was a cancellation, request for cancellation at issue in that case. But the Bancroft case is a question of sufficient purposeful availment under personal jurisdiction analysis. Bancroft simply doesn't stand for the proposition that Already can maintain a request for cancellation in light of Nike's covenant and Nike's covenant is robust in this action. As we explained to Already in the first instance, Already can use the covenant to whatever advantage it wants. It can show it to distributors, it can show it to suppliers, it can post it on its internet site if it wants.

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**THE COURT:** Mr. Maurer, you started this thing. So I'm sort of surprised to see Nike all of a sudden get cold feet about finishing it. So why not just finish it?

**MR. MAURER:** It's not cold feet, your Honor. Nike initiated this matter following a rising tide of infringement again, around the point of the anniversary of Nike's Air Force 1 shoe design. Already introduced a shoe we believe in early 2008 that was recognized in the marketplace. It was recognized –

**THE COURT:** I saw the attachment.

**MR. MAURER:** As a copy of Air Force 1.

**THE COURT:** You brought this action as a plaintiff against them as a defendant. You said they're infringing. You still think they're infringing. So why not just let's [16] determine this once and for all whether they're infringing and then it's done.

**MR. MAURER:** Two principle reasons, your Honor. The first of which is that through settlement discussions, which Nike tried to initiate before filing suit. We did send cease and desist letters, your Honor. We did invite a discussion before filing suit, and when we did file a suit, we didn't serve them.

Settlement discussions finally took place in the last two months. Already was just out in Beaverton in February and presented a PowerPoint presentation that laid out its business. Nike made a determination based on

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that that Already is not truly a commercial threat to the Nike registration, to the Nike mark.

THE COURT: You thought they were a serious commercial threat before that?

MR. MAURER: They had been identified as the number two copy of the Air Force 1, your Honor.

THE COURT: Number two ranked in terms of what? Number two in how closely they copied Nike's shoe or number two in terms of their sales posed the second largest threat to Nike?

MR. MAURER: Number two in terms of copying of the design your Honor. That's an association that was unwanted by Nike. That's the kind of association that the trademark law [17] can dilute -

THE COURT: I get that. I'm just curious why all of a sudden you want a covenant that somersaults, saying you're not going to sue them. So tomorrow if they get all sorts of backing or increase their market share tenfold, you're precluded from bringing an action against them right?

MR. MAURER: Your Honor, Nike never suggested that these designs are identical, that the Already design and the Nike design are identical. We acknowledge that there are differences in the design. We took action based on the marketplace perceptions of the similarities between the designs and the marketplace actual association that could dilute the Nike mark.

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In reality, your Honor, there was another important thing happening over the past eight months to a year, and that is that the Already shoe in 2008 had sort of been caught in this wave, this rising tide of infringements of the Air Force 1 design. Most of those other designs, frankly, your Honor, were closer to the Air Force 1 mark than the Already design. It's entirely possible that Already was simply swept up in this infringement and that's why it was listed as the number two copy of the Air Force 1 design.

THE COURT: I don't know what that means. Either you have a cause of action or you don't. Do you think you do or you think they don't? [18]

MR. MAURER: Your Honor, in trademark law the trademark owner does not need to enforce against all possible infringements.

THE COURT: I get that, but you started this one. I'm just not sure why you don't want to finish it. Mr. Dabney seems to be calling you out. So, you're a litigator, I would think you would want to say, okay, you want to play it that way, we'll finish this thing. But you seem to be doing all you can -- big bad Nike seems to be running for the hills. It's sort of you see on the street sometimes, where a little dog is intimidating a Great Dane.

MR. MAURER: Your Honor, over the past eight months, Nike has cleared out the worst offending infringers. Now Already remains as one of the last few companies that was identified on that top ten list of infringers. We have seen no other internet associations

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between Already and Nike in the marketplace. It appears today that Already's level of infringement at the time and today is no more than de minimis.

The cost of proceeding with this action is going to be incredibly expensive, your Honor. Secondary meaning surveys are expensive. We've obviously already conducted one in this case. Infringement surveys, fame surveys, dilution surveys, all of this adds incredible expense that Nike has determined is simply not worth the candle. The level of de minimis infringement that Already is causing in the marketplace Nike is [19] willing to acquiesce. We are willing accede to it. There's plenty of case law in the trademark arena indicating that trademark owners don't have to enforce against everyone. This is an instance in which Nike has determined that the cost of going forward and even, indeed, the cost of continued negotiations with anyone of Already's three law firms isn't worth it.

THE COURT: But you could move for attorneys fees if you think that you might be entitled to them.

MR. MAURER: Your Honor, I think that if this action does proceed and Already continues to pursue discovery, Nike may very well seek attorneys fees.

THE COURT: I mean, there's a Northern District of Illinois case that seems to be on all fours. There's a Ninth Circuit case which seems to go the other way, seems to be largely dicta, but nevertheless I think the language in the opinion is pretty clear that would allow a case like this to go forward. There's no Second Circuit case that I'm aware

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of, so it's certainly an interesting issue, but briefing this is going to cost money, too. I don't know if it's worth it to just everybody get back into litigation mode and finish this thing.

MR. MAURER: Well, your Honor, for whatever it's worth Nike has already covenanted, so its claims are dead.

THE COURT: That was not proposed.

MR. MAURER: That's an executed covenant, your Honor. [20] Nike has freed Already, has cleared the air. There is no longer an allegation of infringement.

THE COURT: All right. So if Yums or Already or whatever they're calling themselves becomes a big threat in six months, you're stuck.

MR. MAURER: With the covenant, absolutely, and that was a determination that Nike's business unit made after meeting with Already and reviewing Already's PowerPoint presentation and reviewing the status in the marketplace.

THE COURT: When was the PowerPoint presentation?

MR. MAURER: The meeting in Beaverton, Oregon was February 2nd, your Honor.

THE COURT: Of this year?

MR. MAURER: Yes.

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THE COURT: Mr. Dabney, were you there?

MR. DABNEY: Your Honor, I was not there.

THE COURT: Were you aware of it?

MR. DABNEY: I was aware that there was a settlement conference and it's of great concern to me that settlement discussions have repeatedly been relied upon by Nike to advance positions in the case even though they're obviously settlement discussions, but, yes, we -

THE COURT: I've got to make decisions about discovery and about other things. You think it's improper for them to let me know there was a settlement discussion in Oregon in [21] February?

MR. DABNEY: No, not the mere fact of a settlement discussion. Of course not.

THE COURT: So what are you objecting to?

MR. DABNEY: There is, the argument is that one of the reasons why the Court should take substantive action in this case is because of information learned at the settlement discussion, which we think is irrelevant, but it's just been a consistent pattern that settlement discussions get repeated in correspondence with the Court, relied upon in open Court oral argument.

THE COURT: The point was in response to a question I posed about why Nike didn't want to go forward with this,

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and it was Nike's determination that based on something they heard in the settlement conference, discussion, that this litigation wasn't worth the cost, the threat didn't rise to the level that would justify the cost. I don't think there's anything improper about that.

MR. DABNEY: All right, and it may, at the end of the day turn out that that characterization of their alleged motives for changing course so suddenly are or are not credible. Certainly that is a face-saving explanation for the sudden U-turn in this case. This is at a time when they have a pending application for your Honor to move to strike our first and second affirmative defenses. There was certainly nothing [22] external prior to this covenant that was given.

THE COURT: Well, that may be. I'm just going to the point as to whether there's anything improper about referencing settlement discussions and you seem to think there really was and I'm pressing you as to what was so improper about it. What is it you heard that suggests there was an improper disclosure of the content of settlement discussions?

MR. DABNEY: The suggestion has been made that Yums' description of its business made in this confidential settlement discussion, which has now been spread out on the record, led this plaintiff to believe that Yums' business was so insignificant that it wasn't worth bothering with in this case. We think that is a regrettable characterization of Yums' business, and it seems to me when I engage in settlement discussions that are supposed

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to be confidential, I do not then go and tell a federal judge in essence the substance of what I've learned in the settlement discussions.

THE COURT: It isn't what they learned. It's a conclusion that they drew.

MR. DABNEY: The alleged conclusion that they drew. It's a very, very open question exactly why it is they're now so eager to avoid any judicial test of the validity of this registration.

THE COURT: Well, the statement was that it's not worth the cost. You don't seem to think that that's true?

[23] MR. DABNEY: I think that that is very likely to be less than the whole truth, your Honor. Any company in their position obviously does cost and benefit analyses, and I could stand here and make arguments and speculate as to what their actual motives are for what they've done. But certainly the prompt resolution of this case need not be costly, because we believe that there are legal -- we have pleaded legal defenses which we believe we can move for summary judgment on right now. We didn't want to make piecemeal motions. We thought it made sense to defer until later in the case to bring on dispositive motions, but I believe that this assertion that's been made that it's going to be costly to determine whether this registration is valid or not is overstated, and not necessarily the case.

From our standpoint, discovery -- fact discovery ends June 10. We can be easily done by then if we get minimal

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cooperation from them. Then we can bring on one motion to raise all grounds at that time.

THE COURT: All right, but I'm going to resolve the jurisdictional issue first. Because if I don't have jurisdiction, it's over.

MR. DABNEY: We would just respectfully request an opportunity to brief that point.

THE COURT: That's fine, but I'm going to stay discovery initially. I think that's potentially wasteful. If [24] I were to go the way of the Northern District of Illinois went, that would be the end of the inquiry. Now, it may be you want to go down to Washington and pursue cancellation there and it may be the discovery, such as there is has been to date, would be not wasted because it could inform what you're doing down there, I don't know. But I'm going to stay discovery for now.

So who is moving? Who is making this motion? I guess it's you, Mr. Maurer, right?

MR. MAURER: Yes, I guess it's us. Your Honor, if we could have until Monday, April 12?

THE COURT: That's fine. All right, and Mr. Dabney, how long for a response?

MR. DABNEY: I guess if we could have two weeks till the following, two Mondays later?

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THE COURT: All right. So the 26th?

MR. DABNEY: Yes.

THE COURT: All right, and then a reply a week? Is that all right?

MR. MAURER: May we have ten days, your Honor?

THE COURT: The 5th of May. Okay.

MR. MAURER: Thank you, your Honor.

THE COURT: All right. I mean, I don't know whether this is worth all the trouble. You folks know your business better than I, but I think I have to resolve the jurisdictional issue. I haven't seen much beyond what's been cited to me, so [25] I don't think there's going to be any controlling Second Circuit authority. I've read the Judge Chin decision, GMA, which stands for the proposition that basically, yes, cancellation can generally be brought as an original matter, but once the matter has been sort of teed up in federal court and somebody brings a counterclaim, there's not a lot of example for what courts do when the main claim goes south or is dismissed. So it's interesting. I don't think it's going to -- don't kill yourselves on the briefs, because I think what you've already sent me gives me most of the authority, but I'll give you the opportunity.

MR. DABNEY: Thank you, your Honor.

THE COURT: Anything else we should discuss today?

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MR. MAURER: No, your Honor.

THE COURT: So I'm going to stay discovery pending resolution of the jurisdictional motion.

MR. DABNEY: That obviously would result in an amendment of the case schedule.

THE COURT: Right, but we'll take that after I rule on the motion.

MR. DABNEY: I guess the one thing I would ask your Honor, if we're going to be briefing that, we would respectfully seek leave to cross move for summary judgment on our first and second grounds for seeking cancellation. It seems to me it's a pure question of law that we're raising. We [26] contend as a matter of law that what's described in that registration is not a word, term, name, similar device used on or in connection with goods within the meaning of the statute. We think there's a strong statutory textural argument to make. It does not require discovery. This is a pure question of law we think is entirely amenable to summary judgment.

This is the very issue that Nike wanted to bring up by way of motion to strike those defenses, and we said if we're going to have an interim round of dispositive motion practice, if we're going to be going through all that, we just want to bring up our issues, too. And our issue is that as a matter of law the subject matter that is characterized as a trademark in this registration is not in fact a trademark, and the Court should so declare.

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THE COURT: All right, but this was a premotion conference on the motion to dismiss and whether or not that stripped the Court of jurisdiction.

MR. DABNEY: Right. But in our response letter we said, well, if your Honor is going to entertain a motion on their behalf to basically have a dispositive motion under Rule 41, we would respectfully request leave -- we said this in our letter. We teed this up in our letter.

THE COURT: I'm pulling out your letter.

MR. DABNEY: We're trying to. In our March 25 letter, in our March 25 letter --

[27] THE COURT: Yes. In the last sentence of the thing. So the point of a premotion letter is to tee up the issues and the arguments and the authority. It's not to just say, there, I mentioned it. It's supposed to help the Court. So do you think this helps me at all?

MR. DABNEY: We set out the basis of it in our letter to the Court of December 14. This is the same issue we've been going back and forth upon over and over again, which is Exhibit 2 to our letter in which we had set out the authorities and the points.

This issue has been raised by both sides to the Court repeatedly since last December, and all we're saying is the issues that are fully described in my letter to the Court of December 14 are ones that are fully amenable to summary judgment. It's a pure question of law, and since this is

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the bone of contention, if your Honor concludes that I'm right, and that what's claimed in this registration is not a trademark, the case will be over, your Honor's ruling on this dispositive motion practice will dispose of the case.

THE COURT: Right. But if I decide that he's right, then I don't even get to that other stuff and that would save everybody time and money.

MR. DABNEY: Yes, but the point is we're going to be arguing about this registration, because it's the registration that's causing us the harm. It's not the threatened lawsuit [28] anymore. It's the registration and emanation of that registration and the risk of damage that registration poses to us. So the Court is going to get an earful about the registration and its impact is causing continuing harm and damage. So if the registration is void because the subject matter disclosed in it is simply not a trademark, it would be entirely economical, we submit, for your Honor to decide that in the context of this motion that's going to be brought on, which is focused specifically on that.

THE COURT: Well, it would be economical if you get past the first hurdle. If you don't get past the first hurdle, then it will have a waste of time and effort for everybody, right?

MR. DABNEY: I would respectfully submit that your Honor certainly doesn't have to reach the question of validity. It's just a matter of whether we file two sets of motion papers or one. It seemed to me that this was an

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appropriate motion for us to bring on. We, of course, if your Honor rules that there's no subject matter jurisdiction, then your Honor will decide the motion, but this is a question of law.

THE COURT: All right, and after that I'll have you pay the attorneys fees that it cost him to brief the remaining part. You're okay with that? You feel that confident?

MR. DABNEY: I would suggest that if there's exceptionality in this case, it's not exceptionality on our [29] side, your Honor. I don't believe that filing a motion for summary judgment in these circumstances could fairly be characterized by any party as so exceptional that it would raise the question of attorneys fees.

THE COURT: Well, I'm suggesting that any time and effort and money spent briefing the second argument, the summary judgment argument, will have been wasted if the jurisdictional issue goes against you. So it would seem to me to be the more cautious approach to do it in two phases. But if you were that confident then I guess we can do it that way, but I would say that you then run the risk that having lost on the first, you made everybody spend a lot of time and money on the second.

Let me hear from Mr. Maurer, because he hasn't even been heard on this. Maybe he doesn't mind.

MR. MAURER: No, your Honor. We do object. In the first instance, there are four trademark registrations

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relating to the Nike Air Force 1 design. Only one of them is at issue in this case and only one of them could possibly, possibly in theory could be the subject of a cancellation action in this case.

THE COURT: Why do I care about the other ones? Why are they even relevant?

MR. MAURER: I think they're relevant, your Honor, because this notion that Mr. Dabney asserts as the basis for [30] seeking summary judgment to cancel the registration doesn't clear the air of the other registrations. The relief that Yums believes they would get out of a summary judgment motion in this action is simply empty.

Two specific points about the request for summary judgment, your Honor. The first is clearly it's putting the cart before the horse, and what Already is essentially asking the Court to do is evaluate whether it should grant a remedy to an argument over which the Court lacks Article III subject matter jurisdiction. There's no point in wasting the resources on addressing that issue now and potentially putting the Court in a position to issue a simply advisory ruling.

The second point, your Honor, is that we disagree that the issue of constitutional preemption could be resolved without any discovery. Already owns a design patent, a U.S. design patent on their design of the shoe that was accused in this lawsuit. That design patent is an admission that the design itself is non-functional and that the design is ornamental and can confer basically trademark source

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identifying functions. There are issues surrounding the design patent, the admission of what the design patent stands for, and also, indeed, what Already told the Patent Office in order to get that design patent. That discovery would directly relate to Already's suggested summary judgment motion, there's this conflict between patent laws and trademark laws and that [31] interface has not been discovered and would need to be.

THE COURT: I've forgotten, frankly, what we resolved after the December go-around. So, Mr. Dabney, maybe you know. December 14.

MR. DABNEY: Yes, I remember. What wound up happening was because of a case that I had a trial in we couldn't have the conference in December and it was pushed off to January and it was never resolved. And then in the conference in January, it was again deferred and not resolved. So today is the first time which basically issue has been joined on the subject of the premotion letter, my letter of December 14.

So for all the reasons that Nike thought this was an appropriate issue to raise as a threshold matter, we similarly say it's a threshold issue that's appropriate to resolve by way of a dispositive motion. I disagree that any discovery is irrelevant to this. We say it's a pure question of law. Either it is a trademark, or it isn't.

THE COURT: I want to do this in two phases, I just think it's cleaner. We'll stick with the jurisdictional issues. We have a briefing schedule on that. I think it's

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a very discrete issue which can be resolved quickly and depending on how it's resolved we can very quickly get to the next one or maybe you just want to then soldier on with discovery and do this all at once. Okay? It's only some of the claims that would be resolved in summary judgment, right?

[32] MR. DABNEY: No. If we granted summary judgment, that would cancel the registration and that would end the whole case.

THE COURT: Well, then, it seems to me it's going to turn on whether there is a need for additional discovery and I don't know that I have my head around that one yet. But I don't want to get my head around that one yet if I don't have to. No offense. All right.

Okay, so I'll issue a short order memorializing these dates, but I'll hear from you in the next few weeks. Okay?

MR. MAURER: Thank you, your Honor.

THE COURT: Thank you very much, have a good day.

(Adjourned)

**APPENDIX K — DECLARATION OF JULIANNE  
R. DAVIS, FOR PLAINTIFF, IN SUPPORT OF  
MOTION, IN THE UNITED STATES DISTRICT  
COURT FOR THE SOUTHERN DISTRICT OF NEW  
YORK, DATED APRIL 8, 2010**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

**Civil Action No. 09 CIV 6366 (RJS)  
Jury Trial Demanded**

**NIKE, INC.,**

**Plaintiff,**

**v.**

**ALREADY, LLC, d/b/a YUMS,**

**Defendant.**

**DECLARATION OF JULIANNE R. DAVIS IN  
SUPPORT OF NIKE'S MOTION TO DISMISS  
DEFENDANT'S COUNTERCLAIMS WITHOUT  
PREJUDICE AND TO DISMISS NIKE'S CLAIMS  
WITH PREJUDICE**

I, Julianne R. Davis, do hereby declare and state as follows:

1. I am an attorney in good standing licensed to practice in the State of Oregon and I am employed

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as Assistant General Counsel to Plaintiff NIKE, Inc. ("NIKE"). I work at NIKE's World Headquarters in Beaverton, Oregon. I am familiar with the scope of business activities conducted by NIKE and I have personal knowledge of all matters stated in this declaration since my employment began on February 22, 2005. I am the principal in-house attorney responsible for day-to-day management of NIKE's enforcement of its trademark rights in the design of its Air Force 1 sneaker, including its litigation against Already in the above captioned lawsuit.

2. I make this Declaration in support of NIKE's Motion to Voluntarily Dismiss its Complaint with Prejudice and for Dismissal of Defendant's Declaratory Judgment Counterclaims for Lack of Subject Matter Jurisdiction.

3. NIKE introduced the Air Force 1 low sneaker design in 1982. The Air Force 1 low sneaker has become NIKE's best selling sneaker with sales of over approximately 100,000 pairs per month. The NIKE Air Force 1 sneaker has been the subject of songs, including hip hop artist Nelly's song and music video titled "Air Force Ones." The NIKE Air Force 1 sneaker has also been featured in magazines, including "GQ," "Sole Collector," and "New York Magazine;" and books, including "Sneakers," "Sneakers the Complete Collector's Guide," and "Sneaker Freaker the Book." The NIKE Air Force 1 sneaker is also the subject of Internet forums and web sites such as nicekicks.com, allhiphop.com, and freshnessmag.com. When the Air Force 1 sneaker design reached its 25th anniversary, NIKE sponsored anniversary parties around the country, including a celebration dubbed "One

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Night Only” that was attended by hip hop artists, athletes, collectors, and other celebrities in New York City.

4. Between approximately 2007 and 2008, NIKE discovered a growing number of unauthorized copies of the Air Force 1 sneaker design entering the United States market.

5. NIKE learned of Defendant, Already, LLC, and its sales of “Soulja Boy” shoes in approximately October 2008 when it discovered an article on the Internet at nicekicks.com/2008/10/top-ten-air-force-one-a-bes titled “Top 10 Air Force ‘One-a-be’s” that listed Defendant’s “Soulja Boy Tell ‘Em” shoe as the “number two Air Force One-A-Be.”

6. NIKE owns trademark rights in the design of its Air Force 1 low sneaker, including U.S. Trademark Registration Number 3,451,905, issued June 24, 2008.

I declare under penalty of perjury that the foregoing is true and correct.

Executed On: April 8, 2010

By: /s/\_\_\_\_\_  
 Julianne R. Davis  
 Assistant General Counsel  
 NIKE, Inc.

**APPENDIX L — NOTICE OF MOTION TO  
DISMISS DEFENDANT'S COUNTERCLAIMS AND  
TO VOLUNTARILY DISMISS THE COMPLAINT,  
IN THE UNITED STATES DISTRICT COURT FOR  
THE SOUTHERN DISTRICT OF NEW YORK,  
DATED APRIL 12, 2010**

**IN THE UNITED STATES DISTRICT COURT FOR  
THE SOUTHERN DISTRICT OF NEW YORK**

Civil Action No. 09 CIV 6366 (RJS)

NIKE, INC.,

Plaintiff,

v.

ALREADY, LLC, d/b/a YUMS,

Defendant.

***NOTICE OF MOTION***

PLEASE TAKE NOTICE that upon the annexed declarations of Julianne R. Davis, sworn to on April 8, 2010, and Erik S. Maurer, sworn to on April 12, 2010, and the exhibits thereto, the accompanying memorandum of law, and all prior proceedings herein, plaintiff NIKE, Inc. will move for an order (1) dismissing defendant Already, LLC's counterclaims without prejudice pursuant to Rule 12(b)(1), Fed. R. Civ. P., for lack of subject matter jurisdiction, and (2) dismissing NIKE's complaint with prejudice pursuant to Rule 41(a)(2), Fed. R. Civ. P.

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In accordance with the Court's order dated April 2, 2010, all papers in opposition to this motion are to be filed by April 26, 2010, and all reply papers are to be filed by May 5, 2010.

Dated: April 12, 2010

Respectfully submitted,

/s/ Keith E. Sharkin

Keith E. Sharkin  
KING & SPALDING LLP  
1185 Avenue of the Americas  
New York, New York 10036  
Telephone: (212) 556-2100  
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crenk@bannerwitcoff.com  
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Attorneys for Plaintiff, NIKE, Inc.

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To: James W. Dabney  
Randy C. Eisensmith  
FRIED, FRANK, HARRIS,  
SHRIVER JACOBSON LLP  
One New York Plaza  
New York, New York 10004-1980  
(212) 859-8290  
Attorneys for Defendant,  
Already, LLC

**APPENDIX M — DECLARATION OF ERIK S.  
MAURER, FOR PLAINTIFF, IN SUPPORT OF  
MOTION, UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK,  
DATED APRIL 12, 2010**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

**Civil Action No. 09 CIV 6366 (RJS)  
Jury Trial Demanded**

**NIKE, INC.,**

**Plaintiff,**

**v.**

**ALREADY, LLC, d/b/a YUMS,**

**Defendant.**

**DECLARATION OF ERIK S. MAURER IN  
SUPPORT OF NIKE'S MOTION TO DISMISS  
DEFENDANT'S COUNTERCLAIMS WITHOUT  
PREJUDICE AND TO DISMISS NIKE'S CLAIMS  
WITH PREJUDICE**

**I, Erik S. Maurer, declare and state as follows:**

**1. I am one of the attorneys of record appearing for plaintiff, NIKE, Inc. ("NIKE"), in the above-captioned action. I am a member in good standing of the Bar of the**

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State of Illinois and admitted to practice *pro hac vice* in this matter. (Court Docket No. 12). I have personal knowledge of the facts herein.

2. I make this Declaration in support of NIKE's Motion to Dismiss Defendant's Counterclaims Without Prejudice and to Dismiss NIKE's Claims With Prejudice.

3. Beginning in approximately spring 2009, NIKE increased its efforts to enforce its trademark rights in its Air Force 1 low sneaker design, including NIKE's U.S. Trademark Registration No. 3,451,905, issued June 24, 2008 (collectively, the "NIKE Mark").

4. NIKE sent three cease and desist letters to Defendant, Already, LLC. The first two letters, sent May 5 and 11, 2009, were reportedly undeliverable. Defendant responded to the third letter sent May 21, 2009, to the same address as NIKE's May 5, 2009, letter.

5. On August 19, 2010, Already, LLC hand served a complaint it filed against NIKE in the Northern District of Texas. Defendant had not previously raised with NIKE the issues stated in its complaint. NIKE continued to pursue settlement discussions with Defendant, including efforts to meet with Defendant at the fall 2009 Magic Tradeshow.

6. NIKE and Defendant's Texas counsel (Defendant was represented by both litigation and business counsel from separate firms) met and discussed settlement of both this lawsuit and the Northern District of Texas lawsuit on September 30, 2009, in Texas. Between late December

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2009 and early January 2010, the parties negotiated a stand down of active discovery. Business representatives of the parties met in Oregon on February 2, 2010. The parties also met on March 16, 2010, during a settlement conference with Magistrate Judge Ellis.

7. Based on oral negotiations, NIKE prepared and submitted proposed written settlement agreements to Defendant on October 23, 2009, and December 2, 2009. Defendant did not substantively respond to these agreements.

8. From April 2009 to the present, not including the letters sent to Defendant, NIKE has served 15 cease and desist letters relating to the NIKE Mark. The majority of these letters were served and complied with by summer 2009. In addition:

a. In 2009, NIKE secured three settlement agreements from three different footwear manufacturers: Iguasu Trading USA Inc., d/b/a Vlado Footwear; LaMarca Footwear, LLC; and Focus Group Holdings, Inc., d/b/a Greedy Genuis. These agreements removed four different brands and dozens of different colorways of infringing shoes from the marketplace.

b. In 2009, NIKE secured a consent judgment against Iguasu Trading USA Inc., d/b/a Vlado Footwear, and a default judgment against Kashi Kicks, Inc.

c. At least six of the manufacturers identified in the 2008 "Top 10 Air Force 'One-a-be's'" article at [nicekicks.com/2008/10/top-ten-air-force-one-a-bes](http://nicekicks.com/2008/10/top-ten-air-force-one-a-bes) are no longer

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selling copies of the NIKE Air Force 1 sneaker design in the United States. These include Greedy Genuis, Kashi Kicks, Makaveli, A-Town, Starbury, and Madfoot.

d. As of mid-2009, there do not appear to have been follow-up articles to the "Top 10 Air Force 'One-a-be's'" article or related commentary suggesting an association between the NIKE Air Force 1 sneaker design and Defendant's products.

**EXHIBITS TO NIKE'S MOTION**

9. NIKE's Motion Exhibit A is a copy of NIKE's Covenant Not to Sue signed by Julianne R. Davis, dated March 19, 2010.

10. NIKE's Motion Exhibit B is a copy of U.S. Trademark Registration Number 3,451,905, issued June 24, 2008.

11. NIKE's Motion Exhibit C is a true and correct printout of the web page titled "Top 10 Air Force 'One-a-be's'" as captured on June 30, 2009, at <http://nicekicks.com/2008/10/top-ten-air-force-one-a-bes>.

12. NIKE's Motion Exhibit D is a true and correct printout of the web page titled "The 419 After Service" as captured on January 5, 2010, at <http://419afterservice.wordpress.com/>.

13. NIKE's Motion Exhibit E is a true and correct copy of an article titled "Yums on deck: Shoe gurus are

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takin' it to tha streets" from the "Fort Worth Business Press" newspaper, dated July 21 - 27, 2008.

14. NIKE's Motion Exhibit F is a true and correct printout of the web page titled "Yumsshop.com" as captured on May 4, 2009.

15. NIKE's Motion Exhibit G is a true and correct printout of Finish Line, Inc.'s web page listing the Air Force 1 sneaker for sale as captured on January 28, 2010, at [http://www.finishline.com/store/product/nike-mens-air-force-1-low-basketball-shoe/\\_/A-28106?productId=prod594510](http://www.finishline.com/store/product/nike-mens-air-force-1-low-basketball-shoe/_/A-28106?productId=prod594510).

16. NIKE's Motion Exhibit H is a copy of a June 1, 2009, letter from Eugenia S. Hansen, attorney for Defendant, to Julianne R. Davis.

17. NIKE's Motion Exhibit I is a copy of the Complaint in this case filed July 16, 2009.

18. NIKE's Motion Exhibit J is a copy of a July 16, 2009, letter from Erik S. Maurer, attorney for NIKE, to Eugenia S. Hansen.

19. NIKE's Motion Exhibit K is a true and correct printout of the Finish Line Inc.'s web page listing "Yums Men's Soulja Boy Signature" sneaker for sale as captured on January 28, 2010, at [http://www.finishline.com/store/product/yums-mens-soulja-boy-signature/\\_/A-15930?productId=prod638933](http://www.finishline.com/store/product/yums-mens-soulja-boy-signature/_/A-15930?productId=prod638933).

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20. NIKE's Motion Exhibit L is a copy of the Answer and Counterclaim in this case filed November 19, 2009 by Already, LLC.

I declare under penalty of perjury that the foregoing is true and correct.

Executed On: April 12, 2010

By: /s/  
Erik S. Maurer  
Attorney for NIKE, Inc.  
Banner & Witcoff, Ltd.

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**EXHIBIT A TO MAURER DECLARATION —  
COVENANT NOT TO SUE, DATED MARCH 19, 2010**

**COVENANT NOT TO SUE**

This Covenant Not to Sue ("Covenant") is made by NIKE, Inc., an Oregon corporation having a principal place of business at One Bowerman Drive, Beaverton, Oregon 97005 ("NIKE"), and is effective as of March 19, 2010 ("Effective Date").

**RECITALS**

WHEREAS, on July 16, 2009, NIKE commenced civil action number 09-CV-6366 against Already, LLC, a Texas limited liability company, with a principal place of business at 3501 State Highway 157, Suite 101, Euless, Texas 76040 ("Already"), in the United States District Court for the Southern District of New York (the "Complaint") asserting claims for (a) trademark infringement under Section 32(1) of the Lanham Act, (b) false designation of origin/unfair competition under Section-43(a) of the Lanham Act, (c) dilution under Section 43(c) of the Lanham Act, (d) trademark infringement and unfair competition under the common law, and (e) dilution under Section 360 of the New York General Business Law, all in relation to the NIKE Mark (defined below);

WHEREAS, NIKE represents and warrants that it owns federal and common law trademark rights in the design of NIKE's Air Force 1 low shoe, including United States Trademark Registration Number 3,451,905,

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registered June 24, 2008, collectively hereafter referred to as the "NIKE Mark.;"

WHEREAS, NIKE has recently learned that Already's actions complained of in the Complaint no longer infringe or dilute the NIKE Mark at a level sufficient to warrant the substantial time and expense of continued litigation and NIKE wishes to conserve resources relating to its enforcement of the NIKE Mark; and

NOW, THEREFORE, NIKE covenants as follows:

**COVENANT**

NIKE for and on behalf of itself, its parents, subsidiaries, divisions, related companies, affiliated companies, licensees, independent contract manufacturers, assigns, and/or other related business entities, as well as any of their predecessors, successors, directors, officers, employees, agents, distributors, attorneys, representatives, and employees of such entities, hereby unconditionally and irrevocably covenants to refrain from making any claim(s) or demand(s), or from commencing, causing, or permitting to be prosecuted any action in law or equity, against Already or any of its parents, subsidiaries, divisions, related companies, affiliated companies, licensees, independent contract manufacturers, assigns, and/or other related business entities, as well as any of their predecessors, successors, directors, officers, employees, agents, distributors, attorneys, representatives, and employees of such entities and all customers of each of the foregoing (whether direct

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or indirect), on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law in the United States relating to the NIKE Mark based on the appearance of any of Already's current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant.

/s/

By: Julianne Davis, Esq.

Title: Assistant General Counsel  
NIKE, Inc.

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Exhibit B to Maurer Declaration –  
U.S. Trademark Registration, dated March 19, 2010  
(See Supplemental Appendix at pp. SA-2 – SA-6)

Exhibit C to Maurer Declaration –  
Printout from [www.nicekicks.com](http://www.nicekicks.com) titled “Top 10 Air  
Force ‘One-a-be’s”  
(See Supplemental Appendix at pp. SA-7 – SA-17)

Exhibit D to Maurer Declaration –  
Printout from [www.419afterservice.wordpress.com](http://www.419afterservice.wordpress.com)  
titled “The 419 After Service”  
(See Supplemental Appendix at pp. SA-18 – SA-21)

Exhibit E to Maurer Declaration –  
Fort Worth Business Press Article titled “Yums on  
deck: Shoe gurus are takin’ it to tha streets”  
(See Supplemental Appendix at p. SA-22)

Exhibit F to Maurer Declaration –  
Printout from [Yumsshop.com](http://Yumsshop.com)  
(See Supplemental Appendix at p. SA-23)

Exhibit G to Maurer Declaration –  
Printout from [www.finishline.com](http://www.finishline.com)  
(See Supplemental Appendix at p. SA-24)

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EXHIBIT H TO MAURER DECLARATION —  
LETTER FROM EUGENIA S. HANSEN TO  
JULIANNE R. DAVIS, DATED JUNE 1, 2009

[LETTERHEAD OF HEMINGWAY & HANSEN]

June 1, 2009

Ms. Julianne Davis                      *Via Federal Express - sig.*  
Assistant General Counsel/Patent Attorney  
Nike, Inc.  
One Bowerman Drive DF 4  
Beaverton, OR 97005

Re: Your Letter of May 21, 2009 to Yums Shoes  
Our File ALRY 00010 GENL

Dear Ms. Davis:

We represent Already, LLC ("Already") in various intellectual property matters. Your letter of May 21, 2009 addressed to Yums Shoes has been referred to us for response.

You have informed us that Nike owns United States Trademark Registration 3,451,905 and you have alleged that that Already's YUMS ® Soulja Boy Tellem Signature shoe is likely to cause confusion with the '905 mark.

Let me first assure you that Already respects the valid intellectual property rights of others and Already has no intention of infringing any other party's valid rights.

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To ensure that Already is not engaged in any infringing activities, I have been retained to address your allegations and conduct a thorough analysis and investigation.

We have conducted a thorough investigation into your allegations and reviewed the facts in this case and it is our conclusion that your allegations are unfounded. Frankly, we are surprised that Nike would request that Already cease and desist advertising and selling its shoes if it had even undertaken a cursory consideration of the accused Already shoe. Should Nike bring an action against Already for infringement of the '905 registration, we believe that such a Complaint would not be in compliance with Rule 11 of the Federal Rules of Civil Procedure, particularly subsections (b)(1)-(b)(3). Already intends to vigorously defend itself against any such action. We provide to you our reasoning for our conclusion after careful consideration of Nike's '905 trademark registration, its admissions and representations to the United States Trademark Office, and the facts concerning Already's shoes.

**I. Nike U.S. Registration 3,451,905 ("905")**

The alleged Nike '905 trademark is limited by Nike's own admissions in describing its mark as required by the United States Patent and Trademark Office ("USPTO"). The '905 trademark drawing is surrounded by a broken line which Nike admitted in prosecution of the trademark "show the position of the mark and are not claimed as part of the mark." Nike's representations to the USPTO are that the entire shoe (broken line) is not claimed as the trademark. Despite that representation and admission,

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you contend in the May 21, 2009 letter to Already that Already copied the “overall appearance of [Nike’s] Air Force 1 shoe in its entirety.” Not only is your allegation false but it also does not assert any protected intellectual property right. Nike’s mark does not comprise an “entire shoe.” The broken lines on Nike’s drawing in the ‘905 registration indicate that the shoe as a whole is not part of the mark. As stated in the Trademark Manual of Examining Procedure, Section 807.08 (construing 37 C.F.R. § 2.52(b)(4):

Because the matter depicted in broken lines is *not part of the mark*, it should not be considered in determining likelihood of confusion.

Nike restricted the scope of the ‘905 mark through its description of the mark in the registration as follows:

Color is not claimed as a feature of the mark. The mark consists of the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other. The broken lines show the position of the mark and are not claimed as part of the mark.

It should be noted that Nike’s mark describes a number of features, all of which are part of its alleged

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product configuration mark. The Already shoe is devoid of most if . not all of the enumerated features of the '905 mark as set forth in Nike's registration. Even though it is Already's position that Nike's mark, if valid, consists of all the described features taken together, for purposes of discussion each will be addressed separately below.

## **II. Claimed Features Not Present in Already's Shoe Design**

- A. Nike's '905 Description: "The mark consists of the design of the stitching on the exterior of the shoe ....."

First addressing the Nike claim that "The mark consists of the design of the stitching on the exterior of the shoe ...." It is axiomatic that stitching *per se* cannot be covered by a trademark registration as it is functional in shoe construction . In some cases, a particular design of stitching could be subject to some protection, if the product configuration or feature otherwise meets the requirements for protection . Without admitting that the Nike stitching indeed serves as a trademark, we have nonetheless observed that the Already shoe<sup>1</sup> does not utilize stitching that is the same, similar or likely to be confused with the Nike '905 depicted stitching.

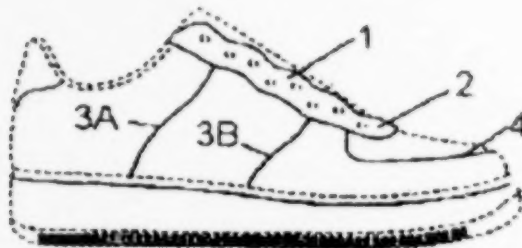
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1. A line drawing of the Already YUMS ® shoes is provided at Exhibit A. It is noted that the photograph included in your letter of May 21 is of such poor quality that the distinct features of the Already YUMS ® shoe cannot be discerned. Photographs of the present design of the Already YUMS ® Soulja Boy Tellem Signature shoe are available at [www.yumsshoes.com](http://www.yumsshoes.com)

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With respect to the design or appearance of the stitching, the design and curvature of the stitching in the registration is different than stitching employed on the Already shoe. It is difficult to see in the Nike '905 drawing which stitching is claimed, but it will be assumed without admission that the solid lines show the position of the claimed stitching.

The Nike registration shown below depicts a solid line (1) surrounding a designated "wavy panel" (2) at the top of the shoe. The stitching, if coextensive with the solid line, is wavy as it follows the edge of the "wavy panel." In contrast, the Already shoe has no wavy panel and no wavy stitching design.



The Nike registration also depicts lines (3a) and (3b) having a curvature of a modified "S" shape; the stitching curve changes direction about half way down the shoe representation in the '905 drawing. The Already shoe has stitching down the side which functionally secures parts of the shoe together. It does not employ the curvature pattern depicted in the Nike registration, but is a smooth curve which continues in the same direction.

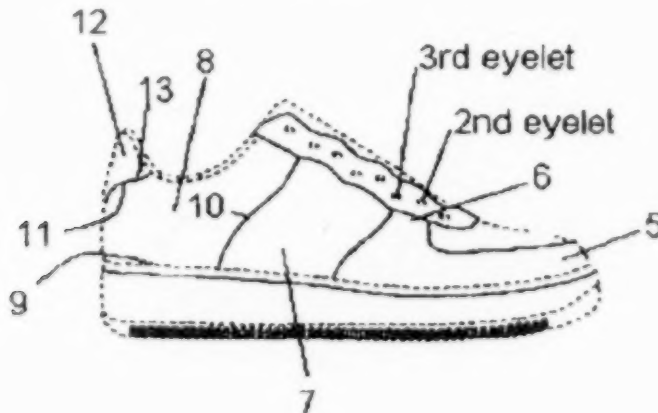
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Finally the stitching outlining the toe cap (4) in the Nike '905 drawing is of a different shape than the stitching employed by Already's toe cap.

- B. Nike's '905 Description: "The mark consists of ... the design of the material panels that form the exterior body of the shoe"

Nike's registration (shown below) also states that the mark consists of "the design of the material panels that form the exterior body of the shoe." Once again, Already's shoe utilizes sections that differ in shape and design from the Nike "panels" depicted in the '905 registration and is not likely to be confused with the Nike alleged mark.

Nike's '905 registration shows toe cap (5). Upper edge (6) of the toe cap (5) of the Nike '905 drawing is in line with the second and third shoe lace eyelet. In contrast, Already's toe cap has a different shape and the upper edge thereof appears closer to the toe - it is in line with the first and second shoe lace eyelet of the shoe lace section. The side edge of the Already toe cap extends further toward the rear of the shoe than does the side edge of the toe cap (5) of the Nike '905 configuration.



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The center area of the Already shoe is of a different shape than the center panel (7) of the Nike '905 design. Further, the Already shoe employs a "Y" overlay structure framed in the Already center area by the Already toe cap back edge and the front edge of the penultimate overlay of the Already shoe. Nike's registration shows a blank nondistinctive '905 center panel (7). Because of the prominent "Y" overlay and the different shape of the Already center area, the Already shoe is not likely to be confused with the Nike '905 alleged mark.

The penultimate overlay of Already's shoe is wholly different in shape and construction from the panel (8) shown in Nike's '905 registration. Nike's panel has a wider bottom edge (9) on the side of the shoe adjacent the mid sole and has a differently shaped front edge (10) and extends up to and adjacent line (11) defining the back "ankle" section (12). Already's penultimate overlay does not extend up to the back "ankle" section of the Already shoe, presenting two recessed areas on the shoe which the Nike '905 design does not have. Already's penultimate overlay forms two horizontal areas of differing depth on the back of the shoe below the "ankle section" which Nike '905 does not have. Already's penultimate overlay has stitching on the top edge providing a distinctive second line of stitching transversing the back side shoe area which Nike does not have in its '905 registration. The Already penultimate overlay and the "Y" overlay provide different and distinctive dimensionality to the side of the Already shoe as compared with Nike's '905 claimed mark.

The back "ankle" section (which lies adjacent a wearer's ankle during use) is different in shape on the

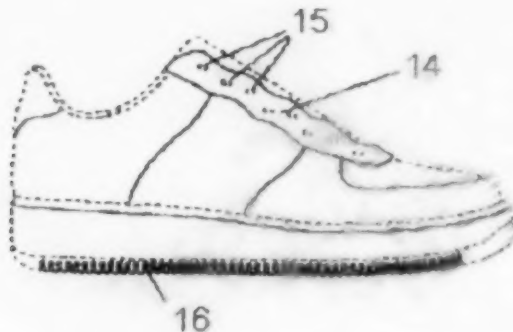
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Already shoe as compared with the Nike '905 registration (12). The Nike '905 drawing depicts a backwards "S" shape (13). Already's shoe employs a much smaller section with a continuous curve. On the Already shoe, the back "ankle" section presents a third curved area visible from the side and back of the shoe. The shape of the top border of the Already "ankle" section is a downward curve, whereas the Nike '905 registration illustrates an angular peak rather than a curve.

Accordingly, Already's shoe body design employs significantly different shapes and designs from those shown in the '905 registration and is not likely to be confused with the Nike '905 registration.

- C. Nike's '905 Description: "The mark consists of ... the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces"

Nike's registration shows and describes a wavy panel (14) on the top of the shoe which encompasses eyelets (15) for shoe laces.



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Already's shoe does not have a wavy panel. Further, Nike's registration shows shoe lace holes which are not aligned in a straight line.

In contrast, Already's shoe lace holes are in a straight line. Already's shoe design does not include the required wavy panel design shown in Nike's registration and the Already straight-line functional eyelet panel would not be likely to cause confusion with the Nike registration.

- D. Nike's '905 Description: "The mark consists of ... the design of the vertical ridge pattern on the sides of the sole of the shoe"

Nike's registration describes a vertical ridge pattern (16) on the side of the shoe sole. Nike's registration shows numerous (approximately 40-45) indented areas in this "ridge pattern."

Already's shoe does not utilize a similar ridge pattern to that shown in the Nike registration. Already's shoe has 16 indented areas bordered by wide sections which present a significantly different appearance. Because of this distinctly different design and appearance, Already's shoe would not likely to be confused with the Nike '905 registration.

- E. Nike's '905 Description: "The mark consists of ... and the relative position of these elements to each other."

Nike's registration specifies that the mark includes the relative position of these elements to each other. Since

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Already's shoe lacks all the individual features as specified in the registration, it cannot have the features in the same relative position.

**III. Already's Employment of Functional Features and Use of its Own Brands and Patented Features Prevent Likelihood of Confusion**

Product configuration trademarks cannot prevent competitors from making products which of necessity must employ functional features. As just one example, Already's shoe must have a panel to encompass eyelets for shoe laces as numerous shoes have employed throughout history. Already does not employ Nike's "wavy panel" or any panel that is likely to be confused with Nike's "wavy panel." As another example, Already's shoe must functionally have a body and again, the configuration of the body of Already's shoe differs substantially from the product configuration of the Nike registration.

Not only is Already's shoe different in every way from the alleged product configuration trademark of Nike in the '905 registration, Already has various indicia on its shoes which promote its own brand and alleviate any likelihood of confusion with those of others. Already has established its own intellectual property rights in its shoes. It has both issued patents and pending patents concerning its shoe design. Already has registered design and word marks and has other applications pending.

The Already shoe includes a cloth label stitched into the top eyelet panel which bears Already's registered

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trademark "YUMS." The "YUMS" trademark is embossed in an oval area on the back of Already's shoe. Already's shoe has a distinctive three star design on the midsole of its shoes. Both side panels of Already's shoe have a prominent "Y" design stitched into the shoe which reinforces the YUMS® trademark. The YUMS FACE trademark appears on a tag chained to the shoe and on the bottom of the shoe. The tag contains the URL of the website featuring YUMS® shoes. Another label is stitched to the tongue of the Already shoe which bears the YUMS FACE trademark and the ALLREADY ® trademark and a large single star.

Already utilizes its own trademarks and designs which establishes its own identity and its shoe is unlikely to be confused with the Nike '905 alleged trademark.

#### IV. Conclusion

We have not provided an exhaustive analysis of all reasons for Already's absence of liability for infringement of Nike product configuration trademark 3,451,905. However, based on the present analysis and without waiving the right to assert other defenses and/or counterclaims in the future, for the detailed reasons provided above, it is our conclusion that Already's shoe is not likely to cause confusion with the alleged Nike product configuration trademark 3,451,905.

If you have a response to this correspondence, please contact me. If you have any questions or comments, please provide the same. We trust that you will be persuaded

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by a careful review of the Already product that there is no infringement of the Nike 3,451,905 trademark by the Already "Soulja Boy Tellem Signature Shoe."

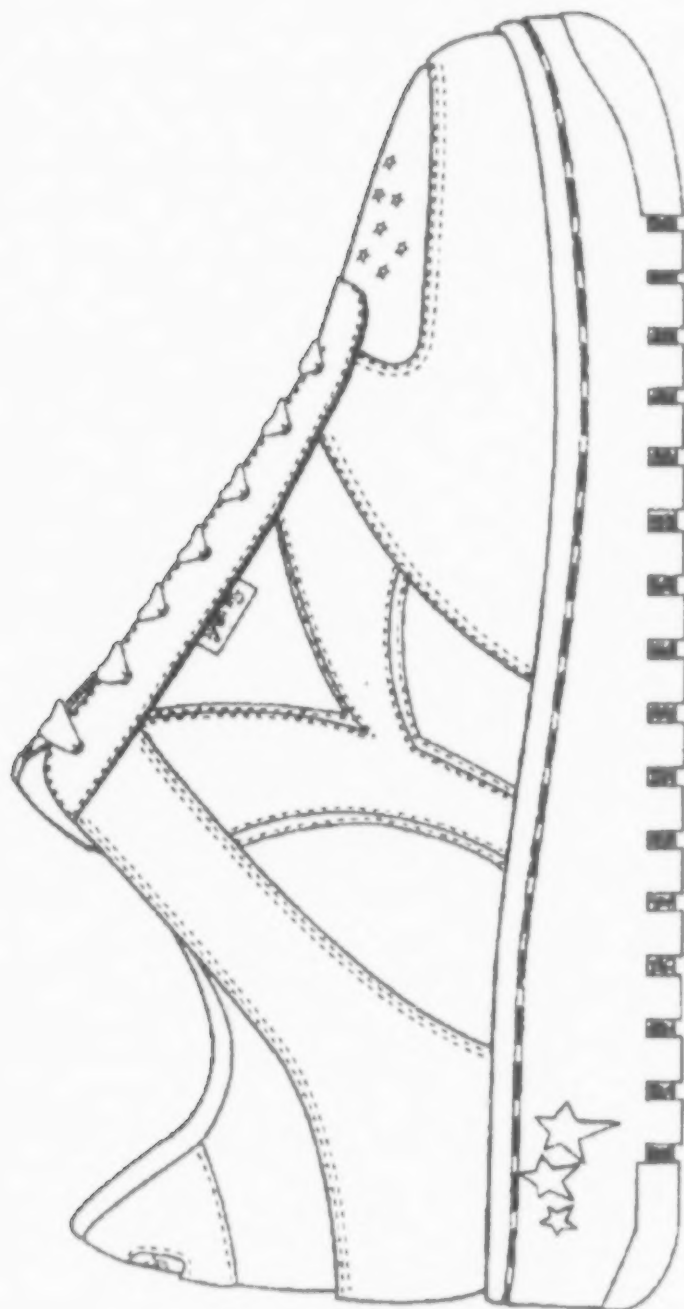
Sincerely,

/s/ \_\_\_\_\_

Eugenia S. Hansen

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EXHIBIT J TO MAURER DECLARATION —  
LETTER FROM ERIK S. MAURER TO EUGENIA  
S. HANSEN, DATED JULY 16, 2009

[LETTERHEAD OF BANNER & WITCOFF, LTD.]

July 16, 2009

Via E-mail- *ghansen@hemlaw.org*  
*Confirmation via Express Courier*

Eugenia S. Hansen  
Hemingway & Hansen, LLP  
Comerica Bank Tower, Suite 2500  
1717 Main Street  
Dallas, Texas 75201

**Settlement Correspondence**  
**Subject to Fed. R. Ev. 408**

Re: *NIKE, Inc. v. Already, LLC*  
Infringement of NIKE's Air Force 1 Mark

Dear Ms. Hansen:

This law firm represents Nike, Inc. ("NIKE") in intellectual property matters. Your June 1, 2009, letter to Julianne Davis was referred to us to provide this reply.

As you know from Ms. Davis's May 21, 2009, letter, NIKE owns common law and federal trademark rights in the distinctive and non-functional appearance of its

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Air Force 1 low sneaker, including U.S. Trademark Registration No. 3,451,905 (the "NIKE Mark"). As your client, Already, LLC ("Yums"), undoubtedly knows, NIKE's Air Force 1 sneaker is one of the most iconic sneaker designs of all time. As a result of NIKE's continuous, exclusive, and extensive use of the NIKE Mark since 1982, the NIKE Mark has become famous and is recognized around the world as indicating that NIKE is the source of high-quality Air Force 1 sneakers.

NIKE wrote to Yums because Yums is using the NIKE Mark in ways that are likely to cause confusion and that dilute the NIKE Mark. Indeed, NIKE has taken and is taking steps to stop infringements of the NIKE Mark by companies other than just Yums. For example, your client may be interested to know that both Greedy Genius and Vlado Footwear admitted infringing and diluting the NIKE Mark and agreed to immediately stop selling shoes similar to Yums' Soulja Boy Tellem Signature shoes. Copies of NIKE's settlement agreements with Greedy Genius and Vlado Footwear are enclosed for your reference.

As these agreements underscore, NIKE's trademark rights are strong. Indeed, NIKE's infringement and dilution claims against Yums are strong. In contrast, your letter providing Yums' response to Ms. Davis falls short on numerous fronts. For example:

- Yums' dissection of the NIKE Mark as if it was a patent claim ignores the overall similarities between Yums' infringing shoes and the NIKE

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Mark and ignores that the legal standard for assessing infringement in a trademark case is likelihood of confusion;

- Yums ignores the fact that consumer confusion is actionable in many different forms and circumstances, including in post-sale contexts where differences in design elements and the use of other marks may exacerbate, rather than remedy, confusion;
- Yums alleged ownership of its own intellectual property, including design patents on its infringing shoes, is no defense to trademark infringement or dilution and Yums undoubtedly knew of NIKE's Air Force 1 sneakers before adopting its design (or, for that matter, before it filed for its design patents when it failed to disclose NIKE's Air Force 1 sneaker design to the Patent Office); and
- Yums' response doesn't even address its dilution of the NIKE Mark.

Because Yums has thus far refused to cease and desist its infringement and dilution of the NIKE Mark NIKE filed a complaint against Yums in the United States District Court for the Southern District of New York. A copy of the complaint is enclosed.

We have not yet taken steps to serve the complaint because NIKE hopes to negotiate a settlement agreement with Yums. However, if we cannot reach agreement, NIKE will vigorously enforce its intellectual property rights.

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To that end, NIKE is confident that it will prevail if forced to litigate. Following is a brief explanation of NIKE's reasoning. It is NIKE's sincere hope that upon consideration of this reply the parties can engage in a productive dialog aimed at avoiding the time, distraction, and expense of litigation.

**I. LIKELIHOOD OF CONFUSION**

The Second Circuit considers eight factors in assessing likelihood of confusion. These factors and variations of them are considered in many circuits and include: (1) the strength of the plaintiffs mark; (2) the similarity of the parties' marks; (3) the proximity of the parties' products in the marketplace; (4) the likelihood that the plaintiff will bridge the gap between the products; (5) actual confusion; (6) the defendant's intent in adopting its mark; (7) the quality of the defendant's product; and (8) the sophistication of the relevant consumer group. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). Even a cursory evaluation of these factors reveals that Yums Soulja Boy shoes are likely to cause confusion with the NIKE Mark and that NIKE would prevail at a trial. Notably, your response letter does not directly address any of these factors.

**A. Strength of the NIKE Mark**

The NIKE Mark is a very strong trademark entitled to the greatest degree of protection. As set forth in NIKE's May 21 letter, the Air Force 1 shoe is regarded as one of the most iconic and top selling footwear designs in history. Moreover, the NIKE Mark is widely recognized

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as indicating that NIKE is the source of high-quality Air Force 1 shoes.

The NIKE Mark as embodied on NIKE's Air Force 1 shoe has been celebrated in industry publications, feted with a New York City 25th anniversary celebration, and featured in Sole Collector Magazine. In fact, the storied history of NIKE's Air Force 1 design has been cataloged on its own "1 Thology" website at: <http://www.nike.com/af1/index.jhtml#1=1thology>.

Thus, there can be no doubt the NIKE Mark is strong and that this factor favors a finding of likelihood of confusion.

**B. Similarity of the Marks**

In addition, there is substantial similarity between NIKE's Air Force 1 Mark and Yums' Soulja Boy shoes. Here, the focus is on the overall similarities of the designs, not a piecemeal dissection of NIKE's federal trademark registration. When properly applying the test for trademark infringement, the Yums' shoes are not only very similar in overall appearance to the NIKE Mark, but the presence of logos and other such potential identifiers do not diminish the overall similarities between the shoes. This is true especially in light of the fact that consumers have come to expect NIKE Air Force 1 shoes to be sold in a variety of colors and patterns.

Moreover, as was found in the *Adidas vs. Payless Shoesource*, case, there is a particularly strong likelihood

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of post-sale confusion in this case where the impact - if any - of design differences and/or source identifiers is diminished. Thus, this factor also favors a finding of likelihood of confusion.

**C. Competitive Proximity**

Yums' Soulja Boy shoes are sold in close proximity to NIKE's Air Force 1 shoes. At the very least, both shoes appeal to similar consumers, are sold at similar shoe retailers, and retail for similar prices. In addition, both are promoted on the Internet. Thus, this factor favors a finding of likelihood of confusion.

**D. Bridging the Gap**

Because Yums' shoes are sold in a similar market and through similar channels as NIKE's Air Force 1 shoes, there is no gap to bridge. Even if there was, NIKE has bridged other gaps in the footwear industry and consumers would not be surprised for it to do so here. Accordingly, this factor also favors a finding of likelihood of confusion.

**E. Actual Confusion**

Oftentimes evidence of actual confusion resides in the infringer's files or is in the possession of third-party sources. Because of the similarities between Yums' shoes and the NIKE Mark, NIKE is confident that evidence of actual confusion would be discovered in litigation - whether from Yums or elsewhere. Accordingly, this factor is likely to favor NIKE.

*Appendix M***F. Yum's Intent**

Given the wide fame, recognition, and success of the NIKE Mark for a period spanning more than a quarter century, there can be little doubt that Yums knowingly adopted its shoe design to exploit the goodwill and reputation of the NIKE Mark. Indeed, at least one Internet website identified Yums' shoes as the number two shoe design in a top ten list of "knock offs" of the NIKE Mark (see enclosed "Air Force One-A-Be" print out). Thus, at the very least, Yums' intent to trade on the NIKE Mark without NIKE's authorization may be inferred and this factor weighs in favor of finding likelihood of confusion.

**G. Quality of the Yums' Shoes**

Yums' shoes are sold at price points similar to NIKE's Air Force 1 shoes. For at least this reason, this factor also favors finding a likelihood of confusion.

**H. Sophistication of Consumers**

Athletic and/or lifestyle shoes are sold to a wide variety of consumers; some of whom may be sophisticated, but many are not. In addition, athletic and lifestyle shoes are common consumer purchases that are not unduly expensive. Importantly, post-sale confusion occurs with this type of footwear. Because the ordinary purchaser of athletic and/or lifestyle shoes is not a highly sophisticated consumer, because the price points at issue are not unusually high, and because post-sale confusion is likely, this factor also favors finding a likelihood of confusion.

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In sum, the eight applicable likelihood of confusion factors described above overwhelmingly weigh in NIKE's favor. Put another way, analyzing the factors that will be applied in court and that were not addressed in Yums' response, there is a strong likelihood of confusion between Yums' Soulja Boy Tellem Signature shoes and the NIKE Mark.

## II. DILUTION BY BLURRING

In addition, Yums' shoes are likely to dilute the NIKE Mark by blurring. Here, even Yums' competitors admit that the NIKE Mark is famous and that competitive uses of similar marks is likely to dilute the NIKE Mark.

More particularly, courts generally consider six factors in a likelihood of dilution by blurring analysis: (1) the degree of similarity between the marks; (2) the degree of inherent or acquired distinctiveness of the famous mark; (3) the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (4) the degree of recognition of the famous mark; (5) whether the user of the mark or trade name intended to create an association with the famous mark; and (6) any actual association between the mark or trade name and the famous mark.

Many of these factors, e.g., 1 (similarity), 2-4 (strength), and 5 (intent) favor NIKE for all of the corresponding reasons discussed above. Specifically, there is substantial similarity between the NIKE Mark and Yums' Soulja Boy Tellem Signature shoe, the NIKE Mark is a strong mark

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and has a high degree of distinctiveness, the NIKE Mark is widely recognized and has been for over 25 years, and there is a reasonable inference of bad faith intent by Yums.

Critically, as described above, associations have already been made that Yums' shoes are "knock offs" of the NIKE Mark. This is strong evidence that Yums is diluting the NIKE Mark.

Tellingly, Yums' response letter completely ignores the issue of dilution.

### III. CONCLUSION

As noted above, notwithstanding the strong case NIKE has against Yums, NIKE hopes to avoid litigation. To that end, we look forward to hearing back from you no later than July 23, 2009. If we do not hear from you, we will serve the complaint and vigorously enforce NIKE's rights.

Sincerely,

/s/ \_\_\_\_\_  
Erik S. Maurer

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Exhibit K to Maurer Declaration –  
Printout from [www.finishline.com](http://www.finishline.com), Webpage  
listing “Yums Men’s Soulja Boy Signature”  
(See Supplemental Appendix at p. SA-25)

**APPENDIX N — AFFIDAVIT OF VINCENT PIRAS,  
FOR DEFENDANT, UNITED STATES DISTRICT  
COURT, SOUTHERN DISTRICT OF NEW YORK,  
DATED APRIL 22, 2010**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

09 Civ. 6366 (RJS)  
ECF Case

AFFIDAVIT

NIKE, INC.,

Plaintiff,

v.

ALREADY, LLC d/b/a YUMS,

Defendant.

1. My name is Vincent Piras. I am over the age of twenty-one, have not been convicted of a crime involving moral turpitude, and am not otherwise disqualified from making this affidavit. The following information, which is within my personal knowledge, is true and correct.

2. I presently reside at 9 Lucania, Newport Coast, CA 92657.

3. I make my living as a Real Estate Developer and entrepreneur. I am self-employed. I have been a successful

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business person and entrepreneur for over 20 years. I am presently invested in over six companies and over my 20 years of experience I have been invested in at least 10 additional companies.

4. I was introduced to Already through Mr. Ed Hohn and Mr. Kent Little. Between approximately September 7, 2009 and September 26, 2009 I made an investment of \$50,000.00 (U.S. Dollars) in the company for its sweet brand shoe product line. I liked Already's concept of the artwork and colorful bottoms of the sweet series.

5. Sometime in May or early June of 2009, I learned from Kent Little that Nike was threatening a lawsuit against Already for trademark infringement on the sweet brand shoe product line. On approximately June 4th 2009, I contacted Already and told them I wanted to sell back my stock to the company. From my personal experience, lawsuits can last several years and are typically a financial and emotional drain on any company, especially a company of Already's size. On June 16, 2009, Already purchased back my shares and I took a loss.

6. Recently, I was informed by Already that Nike is attempting to drop its suit against them. However, my experience in working with companies in similar situations tells me that Already may struggle to raise additional capital until investors can be certain that Nike will not attempt to later assert its trademarks against Already. Based on Nike's past behavior, I would not nor do I see others investing in Already until this black cloud is removed with certainty. I personally have been provided

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a copy of Nike's covenant not to sue and Trademark Registration 3,451,905 ("the '905 Registration"). The Nike covenant does not change my mind towards investing in Yums because the covenant discusses application only to existing designs and colorable imitations thereof. I would consider reinvesting in Yums if the '905 Registration was cancelled and it was clearly established that Nike has no right to object to Yums sale of shoes similar to Air Force I.

In accordance with U.S.C. 28 § 1746, I, Vincent Piras, state under penalty of perjury under the laws of the United States that the foregoing statements are true and correct.

Executed on 22 of April, 2010.

/s/  
VINCE PIRAS

**APPENDIX O — AFFIDAVIT OF JOHN P.  
MCDADE, FOR DEFENDANT, UNITED STATES  
DISTRICT COURT FOR THE SOUTHERN  
DISTRICT OF NEW YORK, DATED APRIL 23, 2010**

**UNITED STATES DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF NEW YORK**

09 Civ. 6366 (RJS)

NIKE, INC.,

Plaintiff,

- against -

ALREADY, LLC d/b/a YUMS,

Defendant.

**AFFIDAVIT OF JOHN P. McDADE**

I, JOHN P. McDADE, hereby depose and state that the following is true:

1. My name is John P. McDade. I am President of Already, LLC d/b/a YUMS ("YUMS"), an apparel company organized and existing under Texas law, with its principal place of business in Euless, Texas. My business address is 3501 State Highway 157, Suite 101, Euless, Texas 76040. I have personal knowledge of the matters stated in this affidavit.

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2. I graduated from the University of Texas at Arlington in 1988, with a Bachelor's Business degree in management information systems. I then graduated from the University of Notre Dame in 1991 with a Master's of Business Administration degree in marketing. Before and after that time, I have spent more than twenty-five (25) years as an entrepreneur with business ownership in several diverse industries. I have worked in the apparel/footwear industry for almost ten (10) years.

3. Since January 2007, I have been employed by YUMS, at all times in my present position.

4. Prior to my employment at YUMS, I served as an officer and a co-owner of an apparel company specializing in the design, manufacturing, wholesale distribution and retail sales of T-shirts and other apparel. I held this position for approximately six (6) years.

5. In my position at YUMS, I oversee all aspects of the business, including product development.

6. Since its founding in August 2007, YUMS has developed approximately forty-five (45) different lines or styles of shoe.

7. The first shoe line developed by YUMS was the Sweet shoe line, which includes the Sugar and Soulja Boy shoes that are the focus of the above-captioned civil action. This shoe line was initially shown at a trade show held in Las Vegas, Nevada in 2007. The first commercial versions of this line, available in five different colorways or "flavors," shipped in November of 2007.

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8. Since its introduction, at least six (6) different changes have been made to the Sweet shoe line, at a rate of roughly two times per year. This rate of change in the appearance of the Sweet line is typical for the rate of change in the appearance of shoe lines in the shoe industry as a whole.

9. In addition to the Sweet shoe line, YUMS has developed and is currently selling four other shoe lines – Jelly Bean, Boss Boggs, FlyTop, and BAY. The Jelly Bean line was introduced in February 2009. The Boss Boggs and FlyTop lines were introduced in July 2009. The BAY line was introduced in December 2009.

10. Since their introduction, each of these lines has also been modified at a rate similar to that of the Sweet shoe line (approximately two times per year) to keep pace with the changing tastes of potential customers.

11. YUMS currently is developing eight (8) additional shoe lines.

12. YUMS currently has plans to introduce two (2) new lines during the early fall of 2010 and a third line late in the fourth quarter of 2010.

13. YUMS currently has plans to introduce several modifications to the Sweet shoe line, including one (1) modification in the fall of 2010.

14. YUMS currently has plans to introduce two (2) new lines during the first quarter of 2011.

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15. YUMS currently has plans to expand and/or modify the FlyTop and BAY shoe lines.

16. In accordance with 28 U.S.C. § 1746, I, John P. McDade, state under penalty of perjury under the laws of the United States that the foregoing statements are true and correct.

/s/  
JOHN P. McDADE

Executed on this  
23rd day of April 2010

**APPENDIX P — AFFIDAVIT OF MICHAEL  
JENKINS, FOR DEFENDANT, UNITED STATES  
DISTRICT COURT FOR THE SOUTHERN  
DISTRICT OF NEW YORK, DATED APRIL 23, 2010**

UNITED STATES DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF NEW YORK

09 Civ, 6366 (RJS)

NIKE, INC.,

Plaintiff,

- against -

ALREADY, LLC d/b/a YUMS,

Defendant.

**AFFIDAVIT OF MICHAEL JENKINS**

I, MICHAEL JENKINS, hereby depose and state that  
the following is true:

1. My name is Michael Jenkins. I am Vice President of Sales/Operations at Already, LLC d/b/a YUMS ("YUMS"), an apparel company organized and existing under Texas law, with its principal place of business in Euless, Texas. My business address is 3501 State Highway 157, Suite 101, Euless, Texas 76040. I have personal knowledge of the matters stated in this affidavit.

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2. I graduated from the University of Texas at Arlington in 1988, with a bachelor's degree in business administration. Since then, I have spent more than twenty (20) years as an entrepreneur with business ownership in several diverse industries. I have worked in the apparel/footwear industry for almost ten (10) years.

3. Since August 2007, I have been employed by YUMS, at all times in my present position.

4. Prior to my employment at YUMS, I served as an officer and a co-owner of an apparel company specializing in the design, manufacturing, wholesale distribution and retail sales of T-shirts and other apparel. I held this position for approximately six (6) years.

5. In my position at YUMS, I oversee national sales of YUMS products, and interact with and maintain relationships with YUMS retailers, manufacturers, and distributors.

6. During the course of my employment, I have interacted with hundreds of shoe retailers, the vast majority of whom (greater than 90%) sell Nike shoes.

7. During the course of my interactions with shoe retailers, I have been told several times by retailers to whom YUMS would like to sell its Sweet shoe line, which includes the Sugar and Soulja Boy shoes, that Nike representatives have "suggested" that the shoe retailer refrain from selling YUMS Sweet shoe line, or any other shoes that compete with Nike's Air Force 1 shoe. I believe that

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these "suggestions" caused these retailers to decline to do business with YUMS, and I have been told this on at least one occasion.

8. During the course of my interactions with shoe retailers, I have also been told by many (at least fifty (50)) retailers to whom YUMS would like to sell its Sweet shoe line that the retailer would not sell the YUMS Sweet shoe line because the retailer feared that Nike would cancel its account or take other actions against the retailer, e.g., delay shipment of the retailer's Nike order or "lose" the retailer's Nike order.

9. In accordance with 28 U.S.C. § 1746, I, Michael Jenkins, state under penalty of perjury under the laws of the United States that the foregoing statements are true and correct.

/s/  
MICHAEL JENKINS

Executed on this  
23rd day of April 2010

**APPENDIX Q — AFFIDAVIT OF KYLE  
SCHNABLE, FOR DEFENDANT, UNITED STATES  
DISTRICT COURT, SOUTHERN DISTRICT OF  
NEW YORK, DATED APRIL 23, 2010**

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

**09 Civ. 6366 (RJS)  
ECF Case**

**AFFIDAVIT**

**NIKE, INC.,**

**Plaintiff,**

**v.**

**ALREADY, LLC d/b/a YUMS,**

**Defendant**

**AFFIDAVIT OF KYLE SCHNABLE**

1. My name is Kyle Schnable. I am over the age of twenty-one, have not been convicted of a crime involving moral turpitude, and am not otherwise disqualified from making this affidavit. The following information, which is within my personal knowledge, is true and correct.

2. I currently reside at 2608 Blue Quail Drive, Arlington, Texas 76017.

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3. I am by profession an Executive Recruiter, and I am employed by SummitSearch LLC. I have had an investment portfolio for over 20 years now in which I have identified various investment opportunities. I continue today to look for investment opportunities, and I foresee myself continuing to identify investment opportunities in the future.

4. I came to know Yums through Kent Little. I have known Kent for about 10 years and followed Yums ever since he started working with the company about 3 years ago. Kent approached me with investing in the company, and I have been considering an investment of \$50,000.00 (U.S. Dollars) in the company for its sweet brand shoe product line. I wear the Yums white on white "Sugar" shoe frequently. I find the shoe to be very comfortable, and I like the unique approach of the company with the clear shoe soles. The company appeared very innovative as well.

5. I seriously considered investing in Yums around July 2009. In approximately the month of August 2009, I contacted them regarding a lawsuit I had heard Nike brought against Yums. During this communication with Yums, they confirmed that Nike had filed a lawsuit against them in New York City. For this reason, I did not invest in Yums.

6. I have recently been told by Yums that Nike agreed to drop its lawsuit of trademark infringement against them. I have been provided a copy of Nike's covenant not sue and Trademark Registration 3,451,905 ("the '905 Registration"). The Nike covenant concerns me because

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it only applies to existing designs and colorable imitations thereof. As a result of these limitations and Nike's past litigation behavior towards the company, I remain unwilling to invest in Yums as long as Nike can potentially assert the '905 trademark against any Yums' products. Thus, until such certainty can be obtained, I will continue to withhold investment funds toward Yums. However, if the '905 Registration was cancelled and it was clearly established that Nike has no right to object to Yums sale of shoes similar to Air Force I, I would strongly reconsider my position in making a financial investment in Yums.

In accordance with 28 U.S.C. § 1746, I, Kyle Schnable, state under penalty of perjury under the laws of the United States that the foregoing statements are true and correct.

Executed on 23 of April, 2010.

/s/\_\_\_\_\_  
KYLE SCHNABLE

**APPENDIX R — AFFIDAVIT OF MARVIN  
WILSON, FOR DEFENDANT, UNITED STATES  
DISTRICT COURT, SOUTHERN DISTRICT OF  
NEW YORK, DATED APRIL 25, 2010**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

09 Civ. 6366 (RJS)  
ECF Case

AFFIDAVIT

NIKE, INC.,

Plaintiff,

v.

ALREADY, LLC d/b/a YUMS,

Defendant.

**AFFIDAVIT OF MARVIN WILSON**

1. My name is Marvin Wilson. I am over the age of twenty-one, have not been convicted of a crime involving moral turpitude, and am not otherwise disqualified from making this affidavit. The following information, which is within my personal knowledge, is true and correct.

2. I currently reside at 3875 Donalee St., Fort Worth, Texas 76119.

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3. My current profession is a Promoter. I am a co-owner in an entertainment company and have been in this position for at least the past 3 years. I have worked with many players in the National Football League and a few players from the National Basketball Association in setting up promotional events and business deals for these athletes.

4. I came to know Yums through Kent Little. During the Summer of 2009, I had a group of professional athletes seriously considering a financial investment in the company based on their sweet series shoe product line. These professional athletes loved the bright colors and the designs on the bottom of the shoes.

5. During the month of August 2009, I was doing an internet search on Yums and learned they had been sued by Nike. Upon learning about this lawsuit, I contacted Yums and asked Mr. Little about this lawsuit brought by Nike. Mr. Little confirmed for me the information regarding the Nike lawsuit against Yums was correct. Based on this information, I told Mr. Little these professional athletes would not want to invest in a company sued by Nike. For this reason, these players did not make the financial investment in Yums.

6. Recently, I have learned that Nike has dropped its lawsuit against Yums. I have been provided a copy of Nike's covenant not to sue and Trademark Registration 3,451,905 ("the '905 Registration"). The Nike covenant does not change their mind about investing in Yums because the covenant states that it only applies to existing designs and colorable imitations thereof. However, if

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the '905 Registration was cancelled and it was clearly established that Nike has no right to object to Yums sale of shoes similar to Air Force 1, they would reconsider their position in making a financial investment in Yums.

In accordance with 28 U.S.C. § 1746, I, Marvin Wilson, state under penalty of perjury under the laws of the United States that the foregoing statements are true and correct.

Executed on 25th of April, 2010.

/s/

MARVIN WILSON

**APPENDIX S — DECLARATION OF JAMES W.  
DABNEY, FOR DEFENDANT, UNITED STATES  
DISTRICT COURT, SOUTHERN DISTRICT OF  
NEW YORK, DATED APRIL 26, 2010**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

09 Civ. 6366 (RJS)  
ECF CASE

NIKE, INC.,

Plaintiff,

- v -

ALREADY, LLC d/b/a YUMS,

Defendant.

**DECLARATION OF JAMES W. DABNEY**

1. My name is James W. Dabney. I am a member of the Bar of this Court and of the firm of Fried, Frank, Harris, Shriver & Jacobson LLP, counsel for defendant Already, LLC d/b/a YUMS ("YUMS") in this action. I have personal knowledge of the matters stated in this declaration.

2. Annexed hereto as Exhibit 1 are copies of public records from the file history of the United States Trademark Registration No. 3,451,905 (the "905 Registration") maintained by the United States Patent and Trademark Office ("PTO").

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3. Annexed hereto as Exhibit 2 is a true copy of United States Design Patent No. D584,040 S issued January 6, 2009, on an application filed August 20, 2007 (the "McDade Patent").

4. Annexed hereto as Exhibit 3 are copies of "web pages" that were associated with the domain name YUMSSHOES.COM as of April 26, 2010.

5. Annexed hereto as Exhibit 4 is a true copy of United States Trademark Reg. No. 3,576,757 for the trademark YUMS.

6. Annexed hereto as Exhibit 5 are photographs of packaging used in connection with the marketing of YUMS-branded athletic sneakers.

7. Annexed hereto as Exhibit 6 is a copy of plaintiff's reply filed December 14, 2009, to Yums' counterclaims in this action.

I, JAMES W. DABNEY, hereby declare under penalty of perjury that the foregoing is true and correct.

Dated: April 26, 2010

/s/  
James W. Dabney

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Exhibit 1 to Dabney Declaration -  
Public Records from File History of U.S.  
Trademark Registration No. 3,451,905  
(See Supplemental Appendix at pp. SA-26 - SA-115)

Exhibit 2 to Dabney Declaration -  
United States Design Patent No. US D584,040 S  
(See Supplemental Appendix at pp. SA-2 - SA-6)

Exhibit 3 to Dabney Declaration -  
Printout from Yumsshoes.com  
(See Supplemental Appendix at pp. SA-116 - SA-129)

Exhibit 4 to Dabney Declaration -  
U.S. Trademark Registration No. 3,576,757  
(See Supplemental Appendix at p. SA-130)

Exhibit 5 to Dabney Declaration -  
Photographs of Packaging  
(See Supplemental Appendix at pp. SA-131 - SA-132)

**APPENDIX T — DECLARATION OF KELLY  
HIBLER, FOR PLAINTIFF, IN FURTHER  
SUPPORT OF MOTION, UNITED STATES  
DISTRICT COURT FOR THE SOUTHERN  
DISTRICT OF NEW YORK, DATED MAY 4, 2010**

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK

Civil Action No. 09 CIV 6366 (RJS)

NIKE, INC.,

Plaintiff,

v.

ALREADY, LLC, d/b/a YUMS,

Defendant.

**DECLARATION OF KELLY HIBLER**

I, Kelly Hibler, declare and state as follows:

1. I am Category Footwear Leader for the Plaintiff, NIKE, Inc. ("NIKE").

2. I am personally familiar with NIKE's distribution channels for Air Force 1 footwear, including the number and identity of footwear retailers in the U.S. selling Air Force 1 shoes, the training and techniques of NIKE personnel responsible for selling Air Force 1 footwear to

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retailers, the distribution of NIKE Air Force 1 footwear to retailers, and in general, competitive products to NIKE's Air Force 1 footwear.

3. I have read Mr. Jenkins' April 23, 2010, Affidavit submitted in support of Defendant's Memorandum in Support of Summary Judgment Dismissing Plaintiff's Complaint and in Opposition to Dismissal of Defendant's Counterclaims. I do not know of Mr. Jenkins, and first learned of Already, LLC's "Yums" shoes in approximately October 2008.

4. The allegations set forth in Paragraphs 7 and 8 of Mr. Jenkins' affidavit regarding purported conduct of NIKE personnel are contrary to the training and techniques of NIKE personnel responsible for selling NIKE's Air Force 1 footwear. I am not familiar with and have never heard of NIKE representatives "suggesting" that retailers decline to do business with Already. Likewise, I have not heard of and am not familiar with any instance in which NIKE cancelled an account or took other actions against any retailer selling Already's Yums Sweet shoe line.

5. The allegations in Paragraphs 7 and 8 of Mr. Jenkins' affidavit regarding purported conduct of NIKE personnel conflict with NIKE's business maxims. As I personally explained to Mr. McDade on February 2, 2010, and as our interactions with Already from the outset of this dispute confirm, NIKE invites and embraces fair competition.

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I declare under penalty of perjury that the foregoing  
is true and correct.

Executed On: May 4, 2010

By: /s/  
Kelly Hibler

**APPENDIX U — SECOND DECLARATION OF  
ERIK S. MAURER, FOR PLAINTIFF, IN SUPPORT  
OF MOTION, UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK,  
DATED MAY 4, 2010**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

Civil Action No. 09 CIV 6366 (RJS)

**NIKE, INC.,**

Plaintiff,

v.

**ALREADY, LLC, d/b/a YUMS,**

Defendant.

**SECOND DECLARATION OF ERIK S. MAURER  
IN SUPPORT OF NIKE'S MOTION TO DISMISS  
DEFENDANT'S COUNTERCLAIMS WITHOUT  
PREJUDICE AND TO DISMISS NIKE'S CLAIMS  
WITH PREJUDICE**

I, Erik S. Maurer, declare and state as follows:

1. I am one of the attorneys of record for plaintiff, NIKE, Inc. ("NIKE"), in the above-captioned action. I am a member in good standing of the Bar of the State of Illinois and admitted to practice *pro hac vice* in this matter. (Court Docket No. 12). I have personal knowledge of the facts herein.

*Appendix U*

2. I submitted a first declaration in this matter on April 12, 2010, in support of NIKE's Motion to Dismiss Defendant's Counterclaims without Prejudice and to Dismiss NIKE's Claims with Prejudice. I make this second declaration in support of NIKE's reply relating thereto.

3. NIKE produced documents and electronically stored information ("ESI") to Defendant Already, LLC ("Defendant") on March 18, 2010.

4. In accordance with Defendant's requests and discussions between counsel for the parties, NIKE produced over 1,800 pages and over 675 MB of native ESI files relating to the protectability and registration of the asserted NIKE trademark, including U.S. Trademark Registration No. 3,451,905.

5. The materials NIKE produced include:

a. A secondary meaning survey demonstrating consumer recognition of the design of NIKE's Air Force 1 shoe without any other trademarks, such as the NIKE Swoosh;

b. Promotional and advertising information relating to the NIKE Mark;

c. A 21,000 page native spreadsheet of sales data reflecting NIKE's sales of approximately one hundred thousand pairs of Air Force 1 shoes every month; and

*Appendix U*

d. Evidence of unsolicited associations in the marketplace between Defendant and the design of NIKE's Air Force 1 shoe.

*EXHIBIT*

6. NIKE's Exhibit A is a copy of excerpts from the reply brief filed in *Bancroft & Masters, Inc. v. Augusta Nat'l, Inc.*, No. 99-cv-15099 (9th Cir.), on July 13, 1999, as available through, at least, westlaw.com.

I declare under penalty of perjury that the foregoing is true and correct.

Executed On: May 4, 2010

By: /s/ \_\_\_\_\_  
Erik S. Maurer  
Attorney for NIKE, Inc.  
Banner & Witcoff, Ltd.

**APPENDIX V — EXCERPTS FROM REPLY  
BRIEF FOR APPELLANTS IN *BANCROFT &  
MASTERS, INC. v. AUGUSTA NAT'L, INC.*, NO.  
99-CV-15099 (9TH CIRCUIT), DATED MAY 5, 2010**

**UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT**

**No. 99-15099**

**BANCROFT & MASTERS, INC.**

**Plaintiff-Appellant**

**v.**

**AUGUSTA NATIONAL, INC.**

**Defendant-Appellee**

**Appeal From A Decision Of The United  
States District Court For The Northern  
District Of California In C-97-04412,  
Honorable Thelton E. Henderson.**

**REPLY BRIEF FOR APPELLANT**

**\* \* \***

[20] First, Bancroft & Masters requested a declaratory judgment for noninfringement and nondilution. Secondly, Bancroft & Masters petitioned for cancellation of ANI's "Masters" trademark for trademark misuse, unfair competition, and threat of a frivolous lawsuit.

*Appendix V*

\* \* \*

ANI's waiver did not address the fact that ANI has indeed committed the business torts of unfair competition, trademark misuse, and has threatened Bancroft & Masters with a frivolous lawsuit.

\* \* \*

[24] Bancroft & Masters' original petition for cancellation of trademark was formed on the bases of trademark misuse, unfair competition, and for the threatening of a frivolous lawsuit . . . .

\* \* \* \*

**APPENDIX W — NOTICE OF APPEAL OF  
THE UNITED STATES DISTRICT COURT,  
SOUTHERN DISTRICT OF NEW YORK,  
DATED JANUARY 24, 2011**

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

09 Civ. 6366 (RJS)

ECF CASE

NIKE, INC.,

Plaintiff,

- against -

ALREADY, LLC d/b/a YUMS,

Defendant.

**NOTICE OF APPEAL**

PLEASE TAKE NOTICE that ALREADY, LLC d/b/a YUMS, ("YUMS") hereby appeals to the Court of Appeals for the Second Circuit from the final decision of the district court entered January 21, 2011.

Dated: New York, New York  
January 24, 2011

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*Appendix W*

FRIED, FRANK, HARRIS, SHRIVER  
& JACOBSON LLP

By: /s/\_\_\_\_\_

James W. Dabney

Victoria J. Doyle

Randy C. Eisensmith

Elizabeth P. Kozlowski

One New York Plaza

New York, New York 10004-1980

Tel: (212) 859-8000

Fax: (212) 859-4000

james.dabney@friedfrank.com

Attorneys for Defendant

Already, LLC d/b/a Yums

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**APPENDIX X — JUDGMENT OF THE  
UNITED STATES DISTRICT COURT,  
SOUTHERN DISTRICT OF NEW YORK,  
DATED JANUARY 25, 2011**

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

**09 CIVIL 6366 (RJS)**

**NIKE, INC.,**

**Plaintiff,**

**-against-**

**ALREADY, LLC, D/B/A YUMS,**

**Defendant.**

**JUDGMENT**

Plaintiff Nike, Inc. having moved to dismiss its own complaint with prejudice and to dismiss the counterclaims of defendant Already, LLC, d/b/a Yums, without prejudice, and the matter having come before the Honorable Richard J. Sullivan, United States District Judge, and the Court, on January 20, 2011, having rendered its Memorandum and Order granting plaintiff's motion to dismiss its claims with prejudice and defendant's counterclaims without prejudice, in its entirety, it is,

*Appendix X*

**ORDERED, ADJUDGED AND DECREED:** That for the reasons stated in the Court's Memorandum and Order dated January 20, 2011, plaintiff's motion to dismiss its claims with prejudice and defendant's counterclaims without prejudice is granted in its entirety; accordingly, the case is closed.

**Dated:** New York, New York  
January 25, 2011

**BY:** /s/  
**RUBY J. KRAJICK**  
**Clerk of Court**

/s/  
**Deputy Clerk**

**APPENDIX Y — STATEMENT OF COSTS,  
UNITED STATES COURT OF APPEALS FOR THE  
SECOND CIRCUIT, DATED JANUARY 10, 2012**

**UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT**

At a Stated Term of the United States Court of Appeals for the Second Circuit, held at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, in the City of New York, on the 10th day of January, two thousand twelve.

Docket No. 11-314

Nike, Inc.,

Plaintiff - Counter - Defendant - Appellee,

v.

Already, LLC, DBA Yums,

Defendant - Counter - Claimant - Appellant.

**STATEMENT OF COSTS**

IT IS HEREBY ORDERED that costs are taxed in the amount of \$247.00 in favor of Appellee Nike, Inc.

FOR THE COURT:

CATHERINE O'HAGAN WOLFE, Clerk

/s/ \_\_\_\_\_

**APPENDIX Z — BILL OF COSTS**

United States Court of Appeals for the Second Circuit  
Thurgood Marshall U.S. Courthouse  
40 Foley Square  
New York, NY 10007

**DENNIS JACOBS**  
**CHIEF JUDGE**

**CATHERINE O'HAGAN WOLFE**  
**CLERK OF COURT**

Date: November 17, 2011  
Docket #: 11-314cv  
Short Title: Nike, Inc. v. Already, LLC

DC Docket #: 09-cv-6366  
DC Court: SDNY (NEW YORK CITY)  
DC Judge: Sullivan

**VERIFIED ITEMIZED BILL OF COSTS**

Counsel for

**Plaintiff-Counter-Defendant/Appellee, NIKE, Inc.**

respectfully submits, pursuant to FRAP 39 (c) the within bill of costs and requests the Clerk to prepare an itemized statement of costs taxed against the

**Defendant-Counter-Claimant/  
Appellant, Already, LLC.**

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*Appendix Z*

and in favor of

**Plaintiff-Counter-Defendant/Appellee, NIKE, Inc.**

for insertion in the mandate.

Docketing Fee \_\_\_\_\_

Costs of printing appendix (necessary copies \_\_) \_\_\_\_\_

Costs of printing brief (necessary copies 10) \$247.00

Costs of printing reply brief (necessary copies \_\_) \_\_\_\_\_

**(VERIFICATION HERE)**

I hereby affirm that the costs claimed herein were actually and necessarily incurred in connection with the captioned appellate proceeding

/s/ Audra C. Eidem Heinze  
Signature

*Appendix Z*

UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

Court of Appeals Docket No. 11-314-cv

NIKE, INC.,

Plaintiff-Counter-Defendant/Appellee,

v.

ALREADY, LLC d/b/a YUMS,

Defendant-Counter-Claimant/Appellant.

**DECLARATION IN SUPPORT OF ITEMIZED AND  
VERIFIED BILL OF COSTS**

I, Audra C. Eidem Heinze, hereby declare and state as follows:

1. I am a member of the bar of the state of Illinois and an attorney for Plaintiff-Counter-Defendant/Appellee, NIKE, Inc. ("NIKE"), in the above-captioned appellate proceeding. I submit this declaration based on my personal knowledge and in support of NIKE's Itemized and Verified Bill of Costs submitted pursuant to Rule 39 of the Federal Rules of Appellate Procedure.
2. I hereby affirm that the costs claimed in the foregoing Itemized and Verified Bill of Costs were actually and necessarily incurred in connection with the above-captioned appellate proceeding.

*Appendix Z*

3. NIKE is requesting reimbursement of \$247.00, which represents the cost of preparing ten (10) copies of NIKE's 51-page brief at a reproduction cost of \$0.20 per page, binding cost of \$5.00 per copy, and cost of \$95.00 for the cover page. The ten (10) copies include six (6) copies for the Court, two (2) copies for Defendant-Counter-Claimant/Appellant, Already, LLC, and two (2) copies for NIKE.

4. Attached as Exhibit A is a true and accurate copy of Invoice No. 9021437 dated April 29, 2011, from Counsel Press LLC.

5. Attached as Exhibit B is a true and accurate copy of the Bill of Costs from Counsel Press LLC, which states the minimum charge per printer's unit for a page and a cover, as well as the charge to bind the pages, in accordance with the U.S. Court of Appeals for the Second Circuit's Bill of Costs Instructions.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Date: November 23, 2011

/s/  
Audra C. Eidem Heinze  
Attorney for NIKE  
Banner & Witcoff, Ltd.

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*Appendix Z*

EXHIBIT A

**Invoice**

Counsel Press LLC  
SDS-12-2802  
PO Box 86  
Minneapolis, MN 55486-2802

Invoice Number: 9021437  
Date: 04/29/2011  
Fed. Tax ID: 43-2070509  
Terms: ON RECEIPT

Sold To

Banner & Witcoff, Ltd.  
10 South Wacker Drive  
Suite 3000  
Chicago, IL 606067407 USA

Attention: Christopher J. Renk, Esq.

File No.:613981  
Court:USCOA - 2ND  
Case Name: Nike, Inc. v. Already, LLC d/b/a Yums

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*Appendix Z*

Amount

For Reproduction of:

APPELLEE'S BRIEF

|                |                                          |            |          |
|----------------|------------------------------------------|------------|----------|
| 1.00           | Preparation of Brief                     | @ \$465.00 | \$465.00 |
| 1.00           | Electronic File Production<br>and Review | @ \$65.00  | \$65.00  |
| 1.00           | File(s) Uploaded                         | @ \$35.00  | \$35.00  |
| 1.00           | Service(s) of Documents                  | @ \$20.00  | \$20.00  |
| 1.00           | Filing of Documents                      | @ \$75.00  | \$75.00  |
| 1.00           | Federal Express                          | @ \$51.81  | \$51.81  |
| 1.00           | Postage                                  | @ \$6.71   | \$6.71   |
| Subtotal       |                                          |            | \$718.52 |
| Sales Tax      |                                          |            | \$0.00   |
|                |                                          |            | \$ 0.00  |
| Payment/Credit |                                          |            | \$718.52 |
| Balance        |                                          |            | \$0.00   |

This Invoice is Due Upon Receipt. Please Show Invoice  
Number on Check When Submitting Payment.

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*Appendix Z*

EXHIBIT B

COUNSEL PRESS LLC SDS-12-2802  
PO BOX 86  
MINNEAPOLIS, MN 55486-2802

**BILL OF COSTS**

CLIENT: Banner & Witcoff, Ltd.  
10 South Wacker Drive  
Suite 3000  
Chicago, IL 60606-7407

ATTN: Christopher J. Renk, Esq.  
RE: Nike, Inc. v. Already, LLC d/b/a Yums  
INVOICE: 9021437  
COURT: Second Circuit

| APPELLEE'S COPIES UNIT COSTS EXTENSIONS |    |      |          |  |          |
|-----------------------------------------|----|------|----------|--|----------|
| BRIEF                                   |    |      |          |  |          |
| Cover(s) - 1st Sided                    | 14 | 1 @  | \$ 95.00 |  | \$ 95.00 |
| Reproduction                            | 14 | 51 @ | \$ 0.420 |  | \$300.00 |
| Volumes Bound                           |    | 14 @ | \$ 5.00  |  | \$ 70.00 |
| Electronic File Preparation             |    | 1 @  | \$ 65.00 |  | \$ 65.00 |
| File(s) Uploaded                        |    | 1 @  | \$ 35.00 |  | \$ 35.00 |
| Service of Documents                    |    | 1 @  | \$ 20.00 |  | \$ 20.00 |
| Filing of Documents                     |    | 1 @  | \$ 75.00 |  | \$ 75.00 |

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*Appendix Z*

|                              |          |
|------------------------------|----------|
| SUB-TOTAL:                   | \$660.00 |
| APPLICABLE SALES TAX: 0.000% | \$-      |
| TOTAL:                       | -----    |
|                              | \$660.00 |

*Appendix Z*

UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

Court of Appeals Docket No. 11-314-cv

NIKE, INC.,

Plaintiff-Counter-Defendant/Appellee,

v.

ALREADY, LLC d/b/a YUMS,

Defendant-Counter-Claimant/Appellant.

**CERTIFICATE OF SERVICE**

I, Audra C. Eidem Heinze, hereby certify under penalty of perjury that on November 23, 2011, a true and correct copy of the foregoing Verified Itemized Bill of Costs was served on counsel for Defendant-Counter-Claimant/Appellant via CM/ECF and First Class Mail, postage prepaid, in envelopes addressed to:

James W. Dabney  
Victoria J.B. Doyle  
Randy C. Eisensmith  
Elizabeth P. Kozlowski  
Fried, Frank, Harris, Shriver & Jacobson LLP  
1 New York Plaza  
New York, New York 10004

s/ Audra C. Eidem Heinze

**APPENDIX AA — MANDATE OF THE UNITED  
STATES COURT OF APPEALS FOR THE SECOND  
CIRCUIT, DATED DECEMBER 1, 2011**

**UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT**

At a Stated Term of the United States Court of Appeals for the Second Circuit, held at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, in the City of New York, on the 10th day of November, two thousand eleven.

Docket No.: 11-314

Before: PIERRE N. LEVAL,  
DEBRA ANN LIVINGSTON,  
RAYMOND J. LOHIER,  
*Circuit Judges.*

Nike, Inc.,

Plaintiff - Counter - Defendant - Appellee,

v.

Already, LLC, d/b/a Yums,

Defendant - Counter - Claimant - Appellant.

**JUDGMENT**

The appeal in the above-captioned case from a judgment of United States District Court for the Southern

*Appendix AA*

District of New York was argued on the district court record and the parties' briefs. Upon consideration thereof,

IT IS HEREBY ORDERED, ADJUDGED, and DECREED that the judgment of the District Court is AFFIRMED in accordance with the opinion of this Court.

FOR THE COURT,  
CATHERINE O'HAGAN WOLFE, Clerk  
/s/\_\_\_\_\_

Mandate issued on 12/01/2011

No. 11-982

IN THE  
Supreme Court of the United States

ALREADY, LLC d/b/a YUMS,

*Petitioner,*

v.

NIKE, INC.,

*Respondent.*

ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

## SUPPLEMENTAL JOINT APPENDIX

THOMAS C. GOLDSTEIN  
Counsel of Record for  
Respondent  
GOLDSTEIN & RUSSELL, P.C.  
5225 Wisconsin Avenue, N.W.  
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**JAMES W. DABNEY**  
*Counsel of Record for*  
*Petitioner*  
**FRIED, FRANK, HARRIS,**  
**SHRIVER & JACOBSON LLP**  
One New York Plaza  
New York, New York 10004  
(212) 859-8000  
James.Dabney@friedfrank.com

PETITION FOR CERTIORARI FILED FEBRUARY 8, 2012  
CERTIORARI GRANTED JUNE 25, 2012

Library of Congress  
100 7 25107

*i*

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| SUPPLEMENTAL APPENDIX B -<br>EXHIBIT 1 TO DABNEY LETTER - UNITED STATES<br>DESIGN PATENT NO. US D584,040 S .....                                                            | SA-2        |
| SUPPLEMENTAL APPENDIX C -<br>EXHIBIT C TO MAURER DECLARATION - PRINTOUT<br>FROM WWW.NICEKICKS.COM TITLED "TOP 10<br>AIR FORCE 'ONE-A-BE'S'" .....                           | SA-7        |
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| SUPPLEMENTAL APPENDIX E -<br>EXHIBIT E TO MAURER DECLARATION - FORT WORTH<br>BUSINESS PRESS ARTICLE TITLED "YUMS ON DECK:<br>SHOE GURUS ARE TAKIN' IT TO THA STREETS" ..... | SA-22       |
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SUPPLEMENTAL APPENDIX A -  
EXHIBIT A TO COMPLAINT - U.S. TRADEMARK REGISTRATION NO. 3,451,905

Case 1:09-cv-06366-RJS Document 37-3 Filed 04/12/2010 Page 1 of 1

Int. Cl.: 25

Prior U.S. Cls.: 22 and 39

Reg. No. 3,451,905

United States Patent and Trademark Office Registered June 24, 2006

TRADEMARK  
PRINCIPAL REGISTER



NIKE, INC. (OREGON CORPORATION)  
ONE BOWERMAN DRIVE  
BEAVERTON, OR 97005

FOR FOOTWEAR, IN CLASS 25 (U.S. CLS. 22 AND 39)

FIRST USE 10-28-1982, IN COMMERCE 10-28-1982

THE MARK CONSISTS OF THE DESIGN OF THE STITCHING ON THE EXTERIOR OF THE SHOE, THE DESIGN OF THE MATERIAL PANELS THAT FORM THE EXTERIOR BODY OF THE SHOE, THE DESIGN OF THE WAVY PANEL ON TOP OF THE

SHOE THAT ENCOMPASSES THE EYELETS FOR THE SHOE LACES, THE DESIGN OF THE VERTICAL RIDGE PATTERN ON THE SIDES OF THE SOLE OF THE SHOE, AND THE RELATIVE POSITION OF THESE ELEMENTS TO EACH OTHER. THE BROKEN LINES SHOW THE POSITION OF THE MARK AND ARE NOT CLAIMED AS PART OF THE MARK.

SEC. 2(F).

SER. NO. 774655,375, FILED 12-1-2006

GEOFFREY FOSDICK, EXAMINING ATTORNEY

**SUPPLEMENTAL APPENDIX B -  
EXHIBIT 1 TO DABNEY LETTER – UNITED STATES DESIGN PATENT  
NO. US D584,040 S [SA-2-SA-6]**



US00D584040S

(12) **United States Design Patent**  
**McDade et al.**

(10) **Patent No.:** **US D584,040 S**  
(45) **Date of Patent:** **Jan. 6, 2009**

(54) **SHOE**

(76) **Inventors:** **John P McDade**, 2000 Safford Dr.,  
Arlington, TX (US) 76012; **Howard**  
**Phillip Moton, Jr.**, 8007 Hutag Ave.,  
Dallas, TX (US) 75217

(22) **Term:** **14 Years**

(21) **Appl. No.:** **29/283,651**

(22) **Filed:** **Aug. 20, 2007**

(51) **LOC (9) CL.** **D2-07**

(52) **U.S. CL.** **D2:970; D2:902**

(58) **Field of Classification Search** **D2:896;**  
**D2:902, 905, 906, 907, 908, 909, 910, 911,**  
**D2:912, 943, 944, 945, 946, 969, 970, 972,**  
**D2:974, 975, 976, 36:3 A, 3 R, 113, 114,**  
**36:115, 116, 126, 127, 129, 136, 137**

See application file for complete search history

(59) **References Cited**

**U.S. PATENT DOCUMENTS**

|            |           |            |         |
|------------|-----------|------------|---------|
| D203,393 S | • 1 1995  | Onizuka    | D13 133 |
| D232,209 S | • 7 1974  | Masunaka   | D2 906  |
| D235,700 S | • 7 1975  | Seiter     | D2 906  |
| D236,911 S | • 9 1975  | Wickertsch | D2 906  |
| D242,503 S | • 12 1976 | Knight     | D2 906  |
| D254,817 S | • 4 1990  | Conda      | D2 906  |
| D256,617 S | • 9 1980  | Yu         | D2 906  |

|            |           |                 |        |
|------------|-----------|-----------------|--------|
| D26,241 S  | • 12 1981 | Cowley et al.   | D2 907 |
| D26,115 S  | • 10 1985 | Campbell et al. | D2 907 |
| D260,541 S | • 6 1987  | O'Rourke        | D2 902 |
| D260,542 S | • 6 1987  | O'Rourke        | D2 897 |
| D261,383 S | • 8 1987  | Campbell et al. | D2 907 |
| D411,083 S | • 6 1999  | Iwahashi        | D2 902 |
| D449,426 S | • 10 2001 | Polastrella     | D2 906 |
| D458,013 S | • 6 2002  | Mann            | D2 969 |
| D511,883 S | • 11 2005 | Robinson et al. | D2 969 |
| D553,531 S | • 3 2008  | Deice et al.    | D2 896 |
| D568,546 S | • 5 2008  | Deice et al.    | D2 907 |

\* cited by examiner

**Primary Examiner:** **Stella M Reid**

**Assistant Examiner:** **Elizabeth J Oynwalia**

(74) **Attorney, Agent, or Firm:** **Expanso S. Hansen,**  
**Henningsway & Hansen, LLP**

(57) **CLAIM**

The ornamental design for a shoe, as shown and described.

**DESCRIPTION**

FIG. 1 is a perspective view of a shoe showing our new design.

FIG. 2 is a front view thereof.

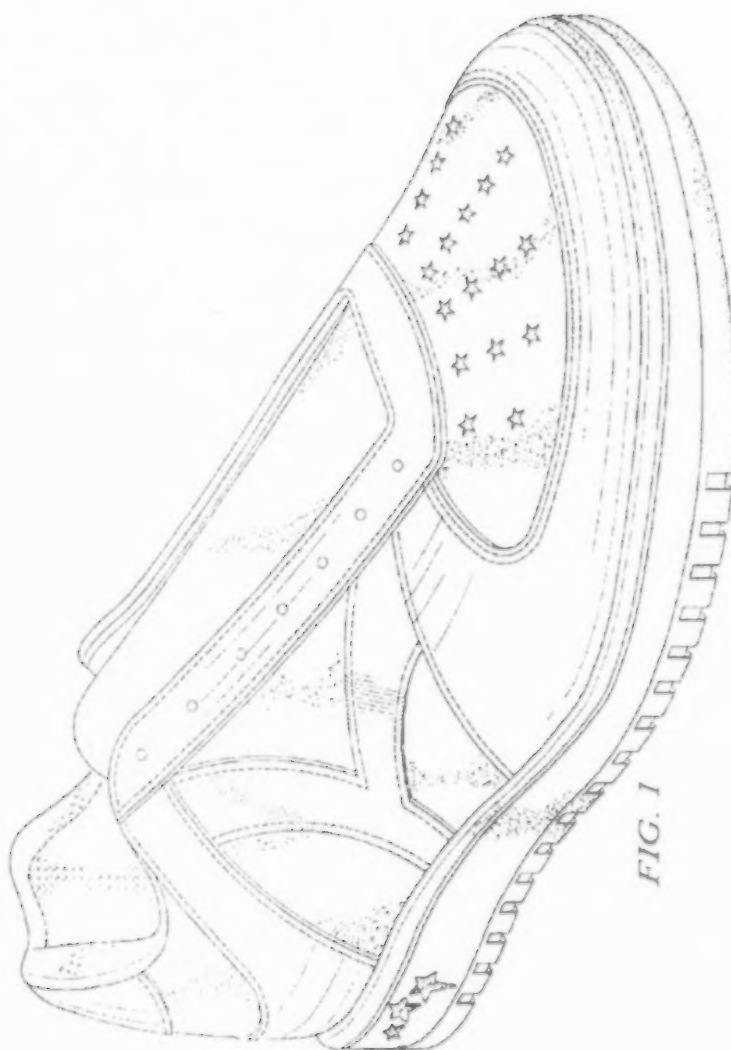
FIG. 3 is a side view thereof.

FIG. 4 is a rear view thereof, and

FIG. 5 is a top view thereof.

**1 Claim, 4 Drawing Sheets**





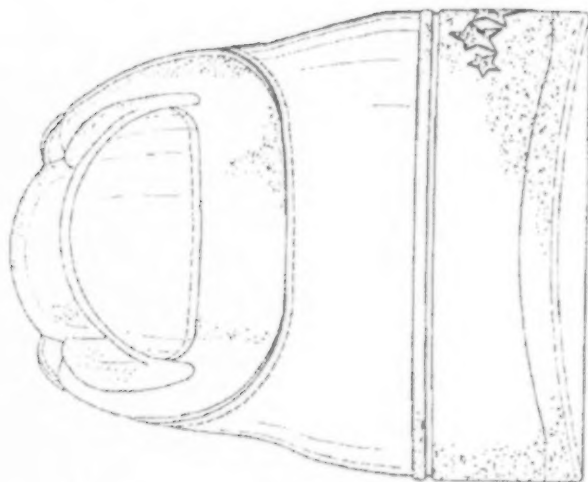


FIG. 4

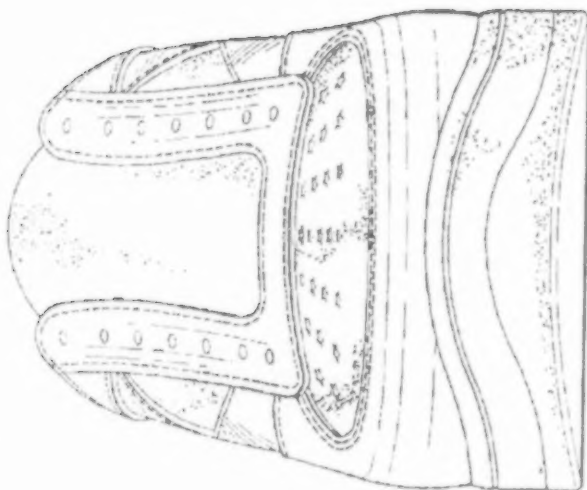


FIG. 2

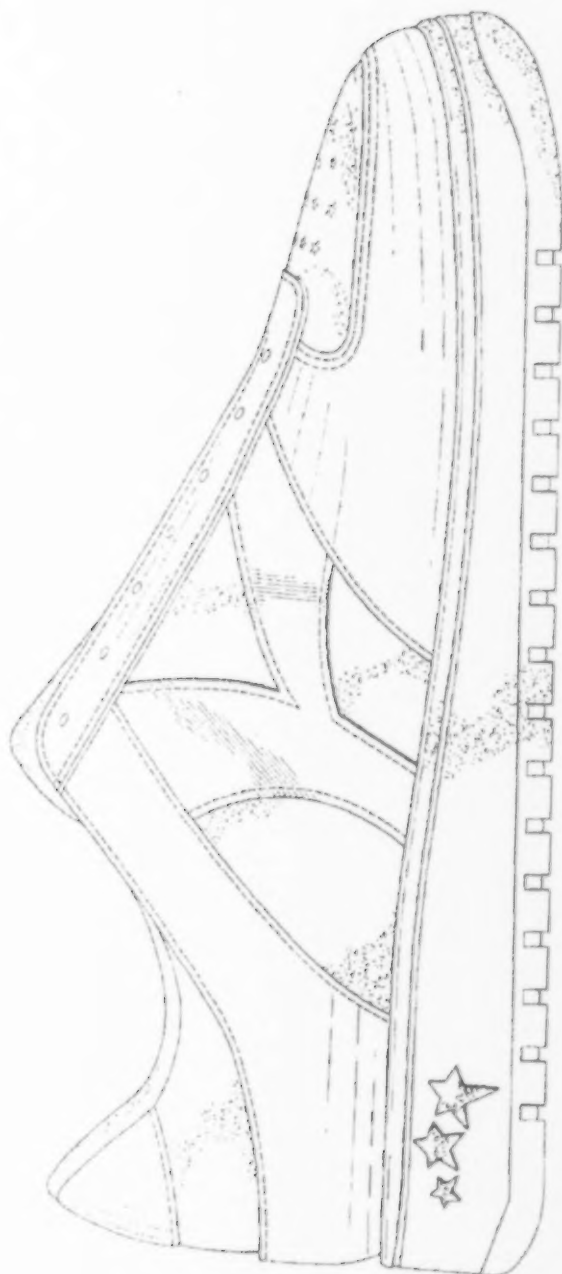


FIG. 3

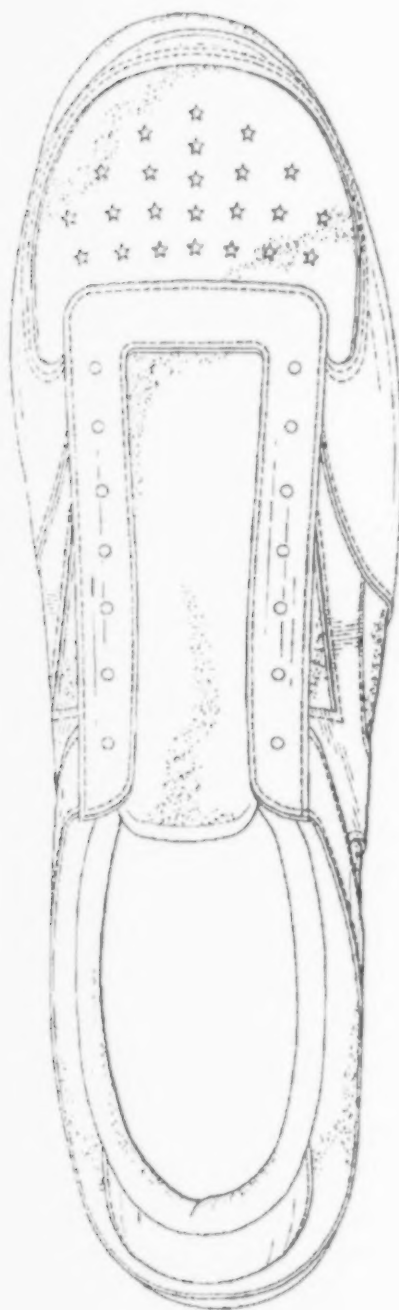


FIG. 5

SUPPLEMENTAL APPENDIX C -  
EXHIBIT C TO MAURER DECLARATION – PRINTOUT FROM WWW.NICEKICKS.COM  
TITLED "TOP 10 AIR FORCE 'ONE-A-BE'S" [SA-7-SA-17]

Nike Air Force One-A-Be's | NiceKicks.com

Case 1:09-cv-06366-RJS Document 37-4 Filed 04/12/2010 Page 1 of 11



- [Facebook](#)
- |
- [Twitter](#)
- |
- [Sign Up](#)
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- [Login](#)



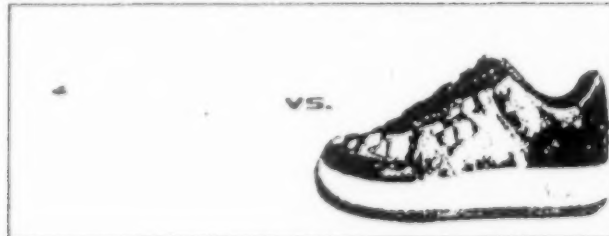
Search Nice Kicks

GO

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- [Release Dates](#)
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## Top 10 Air Force "One-a-be's"

Posted by Nick Engvall | Oct 13, 2008



The **Nike Air Force 1** is one of the top selling sneakers of all time. Though the possibilities are limitless for the **Air Force Ones**, few shoes are as classic as the "white on whites." The Nike Air Force 1 has become a staple in hip hop and has made regular appearances on the feet of artists as well as in verses and the focus of entire songs.

The popularity of the shoe has not gone unnoticed - especially from other brands. Some say that imitation is the greatest form of flattery, and if that is the case, then Nike has a number of sneaker companies looking up to them.

We've compiled a list of the ~~best~~ worst **Air Force One-A-Be's** to date. After much debate, but we decided on these 10 for our list. Take a look at the ten companies who forced their way into the walk of shame.

1 2 3 4 5 6 7 8 9 10 11 [Next »](#)

<http://nicekicks.com/2008/10/top-ten-air-force-one-a-bes/>

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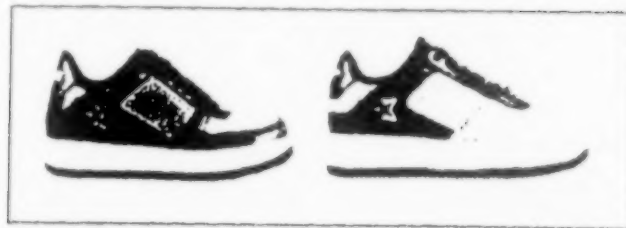


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## Top 10 Air Force "One-a-be's"

Posted by Nick Engvall | Oct 13, 2008

### #10 - Starbury - Crossover LE



Stephon Marbury, and his Starbury Crossover, lands at number ten on our list. We almost had to leave him off the list though, first, for having sneakers too cheap to consider sneakers. How comfortable can a pair of basketball shoes be that cost \$15 or less? Secondly had to include these, for Stephon going a little too far in the marketing department, by tattooing the Starbury Logo on the side of his head! Shouldn't he have realized that the And1 logo tattoo on his leg was a mistake? Maybe Stephon should start growing his hair out, considering Steve and Barry's, who carries his shoes, recently filed for bankruptcy.

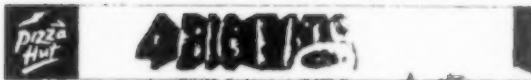
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## Top 10 Air Force "One-a-be's"

Posted by Nick Engvall - Oct 13, 2008

### #9 - Greedy Genius - Primo



We're not going to lie - we were a fan of the colored reflective material on these points, but was never as much in love with this silhouette, the Primo, as other Greedy models. We did receive confirmation that this swooshless AFI has been officially retired and never to return. We do have to give props for Greedy Genius and the direction the brand has taken - especially with an upcoming collab release with Nice Kicks VIP [Blue 18](#).

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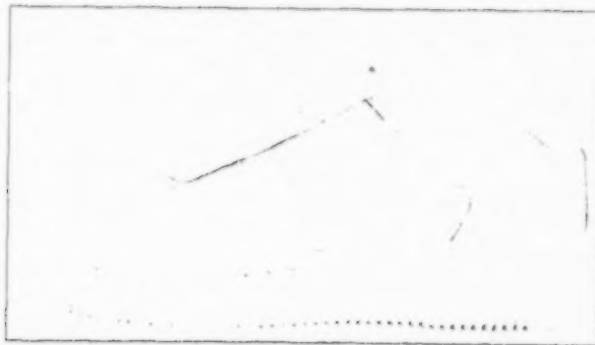
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## Top 10 Air Force "One-a-be's"

Posted by Nick Engvall | Oct 13, 2008

### #8 - Shaq Dunkman



After shoes like the Shaq Attack Shaqnosis, these Shaq Dunkman's are the shoes that kept the big man off our top ten signature sneakers list. Luckily though, it's these beauties that put him at number 4 on our **Air Force One-A-Be's** list.

What I don't get is aren't these shoes made by a Exeter Brands Group - a company owned by Nike. I guess if you can't beat 'em, join 'em.

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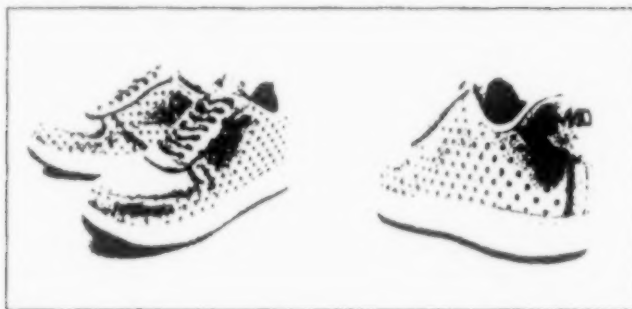


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## Top 10 Air Force "One-a-be's"

Posted by Nick Engvall | Oct 13, 2008

### #7 - Madfoot DAAAMI



Madfoot makes the list with my favorite name, the DAAAMI. Some bites just remove the swoosh, but props to them for removing additional panels to almost fool us.

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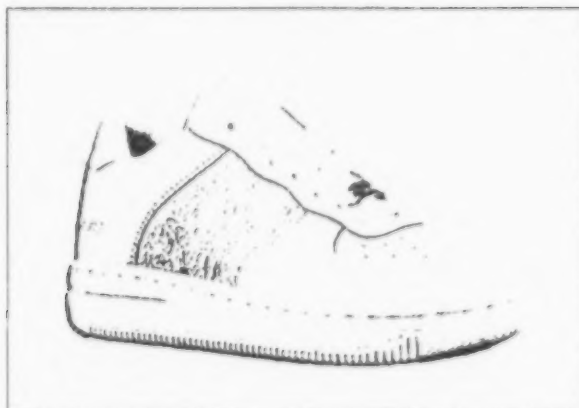
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## Top 10 Air Force "One-a-be's"

Posted by Nick Engvall | Oct 13, 2008

### #6 - FUBU SD2



Is this FUBU giving Karma to the world for biting their "05" jerseys for all of those years?Â What always perplexed us was that these sat on the shoe wall for \$20 less than the real deal... tough way to save a dinner for two at Chili's if you ask me.

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## Top 10 Air Force "One-a-be's"

Posted by Nick Engvall | Oct 13, 2008

### #5 - A-Town's



A-Town's may have been popular in the ATL, but I think the rest of the world might have thought they were played out just like Lil Jon screaming YEAH! The A-Town's are actually more of a knock-off of a knock-off, considering their style is direct rip of Bape Stas, but you'll have to wait and see where they land on the list.

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## Top 10 Air Force "One-a-be's"

Posted by Nick Engvall | Oct 13, 2008

#4 - Kashi Kicks



Need we even say anything about these? If you can see past the glitter and awful colors, sure enough you will see the silhouette that seems to be the victim of some of the worst tragedies on the MAGIC Tradeshow floor. Even with artists like DJ Khaled, Shog Boyz, Talib Kweli, and Flava Flav plugging the shoes, it still doesn't make it right. Do people wear these? Or just hold them up for the photos?

Maybe one could give them some props for being the first to combine "invisible" plastic with glitter, but all respect was lost the second we found out they inked a deal with Liberace's Museum to endorse their shoes.

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## Top 10 Air Force "One-a-be's"

Posted by Nick Engvall - Oct 13, 2008

### #3 - Makaveli Outlaw



Can we have a little more respect for this legend? If Tupac was still alive, I don't think that we would ever see low grade footwear with his name or face attached to them. One this is for certain, artists and entertainers have probably adjusted their wills on how their name can be used postmortum.

RIP

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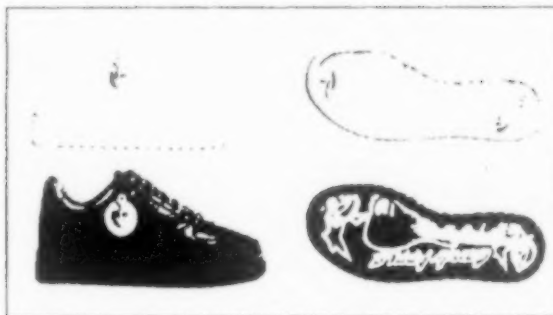
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## Top 10 Air Force "One-a-be's"

Posted by Nick Engvall | Oct 13, 2008

### #2 - Yums



Soulja Boy Tell 'Em... number two **Air Force One-A-Be** is Yums. Soulja Boy let everyone know that "He got some Bathing Apes" (from a mall in Atlanta...?), but after a year of Supermanning and teaching everyone the dance wearing Bapes, Nigo wasn't ready to break bread to have Soulja Boy as a spokes person. Yums signed Soulja Boy to act as though he loved the shoes from birth and never once uttered the name of the company that they knocked off. Yes, a bite of a bite.

It would be hard to credit Yums with anything ground breaking except for maybe getting their shoes into Finishline stores next to Air Force Ones...I am sure Nike was thrilled.

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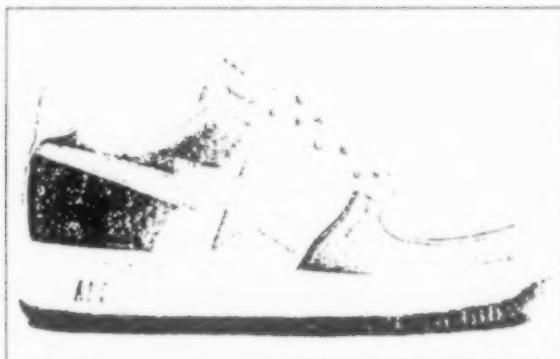


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## Top 10 Air Force "One-a-be's"

Posted by Nick Engvall | Oct 13, 2008

### #1 - Bape Sta



Was this any surprise? We applaud Nigo for his hustle, but like it or not, if the Air Force 1 had never come around, I highly doubt we would have ever seen the Bapesta Force 1. Yes, even the official name of the shoe includes everything but "Air". Sure, Bape has given the sneaker world some good ideas and inspiration, but the brand's success gave the green light to virtually every other brand on this list to produce their own knock of the Air Force 1.

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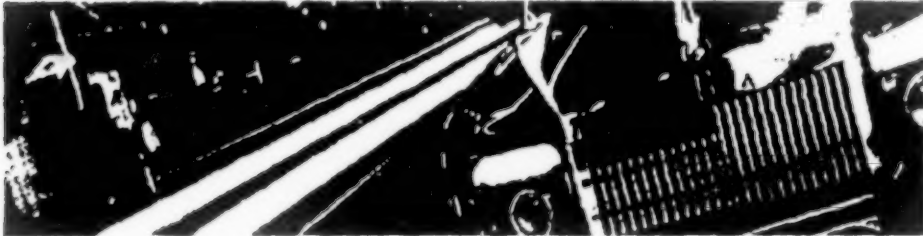
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The 419 After Service

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## The 419 After Service



### The C Class Clutch

• February 8, 2009 • [Leave a Comment](#)



So... Andrew and I were sitting around talking about cars. Then we agreed that the MERCEDES-BENZ CLK AMG Black Series is the best car at this moment. Suddenly Andrew said, "The only thing I don't like about it is that it doesn't come in manual." And then I replied, "You will never see a Mercedes with a clutch, unless it's something that's affordable." Then we looked at each other and said at the same time, "Like the C Class?" And then we laughed. Not only was it funny, it was true. If you ever want to get an E Class with a clutch, you won't. Check the website, [www.MBUSA.com](http://www.MBUSA.com) and see if you can find any other Mercedes that's manual. Even Jadakiss asked in his song, Why, "why they didn't make the CL6 with a clutch?" Good question Jada, I don't know why, but the Mercedes engineers might!

We will now go watch the Top Gear episode featuring the CLK AMG Black Series. Peace out.

Posted in [Uncategorized](#)

## Here we go again...

•February 5, 2009 • [Leave a Comment](#)



Yums... For the people who has never seen or heard of yums, which you don't have to, yums is a clothing/shoe line soulja boy came up with. The dumb thing about yums is that they look like fake air force 1's.

Okay, bapesta's also look like fake afl's but Nigo put a twist on the colors, using pastel, and made it Bape's own exclusive kicks. Soulja boy is one of the most hated celebs wearing bape and he took that to a whole new level. He combined afl's style and Bapesta's pastel and made yums. Now it looks like a fake wannabe. If you're thinking that yums should be cheap, then you are very very wrong. Yums are freaking 85 dollars, that's the same as a pair of all white afl lows. Being a sneakerhead and a bape supporter, I couldn't sit around and watch soulja boy do this. Soulja boy makes bad songs and he makes even worse shoes. If you want to witness this disaster, you can see them at finishline since yums somehow made it to finishline's shelves...

If you're reading this and you're wearing yums, please contact me so I can come smack you.

Posted in [Uncategorized](#)

## Hello Everyone...

•January 27, 2009 • [3 Comments](#)

Ummm I guess... Hello?!?!?!?

This is the 419 After Service's first official post. My name is Scott, one of the two from the 419 A/S. I'm a college kid just trying to graduate...

I figured I was going to start off with a bit of an explanation of what our blog will be about. Basically, we're going to bit\*ch a lot, hahaha At least, I will be. There's no specific topic for us, or anything important. I just like to complain a lot about anything and everything.

For example, I don't understand people who come to class and sleep all day. Don't get me wrong, I'm not going after people who are trying to stay awake but fall asleep. These people just come to class get in position and sleep. If you're going to miss everything in class and just sleep, why bother to come to class? You can be home and just sleep on your bed, comfortably. Go home...

Yea something like that. That's just for starters, we have much more bit\*ching to come.

*Edited...*

Hey! I'm Andrew, the other one of the two from the 419 A.S. I am too just a college youngin' trying to survive and succeed.

As Scott explained above, our blog is an excuse to b\*tch about all sorts of sh\*t. Unlike Scott though, I don't b\*tch ALL the time. I like to be somewhat spontaneous so expect the unexpected.

NO B\*TCHIN' THIS TIME because I kind of wanted my first post to be special. I figured that I'd talk about something random that makes my life (and I'm sure yours too) very enjoyable.

Have you ever hung out with some of your closest friends talking about random things that don't make sense? I'm talking about those pointless conversations that go nowhere for no reason (when you're usually not drunk off your mind and/or high as a kite). I mean you and/or your friends might have something better to do at the time, like study, go to class, pig out, or talk on the phone with someone special. But for some reason they stick around for that much longer and converse over pointless sh\*t. Things like these are easily looked over because people don't enjoy the plain and simple moments.

My friends and I could be talking about how it would be awesome to take a tray from the dining court and slide down the snow covered roof of our apartment, but only to find out that to land safely, we need to fly through the sun roof and land in a get-away car to escape the 433 villains from stealing our fa nominal homemade spaghetti. Of course that was just an example but you get the idea. So next time you and your friends come across the stupidest and most pointless conversations that only would be in a Will Farrell movie, enjoy it because *the best times are those when you least expect it.*

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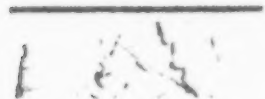
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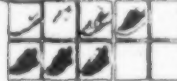
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**Nike Men's Air Force 3 Low**  
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**SUPPLEMENTAL APPENDIX H -  
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Yums Men's Soulja Boy Signature White Canvas sneakers

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| 8  | 1 | 5  |
| 9  | 1 | 5  |

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| <b>MARK INFORMATION</b>                                        |                                                     |
| *MARK                                                          | WTICRS\EXPORT\IMAGE\OUT\77055375.xml(1)\API\102.JPG |
| SPECIAL FORM                                                   | YES                                                 |
| USPTO-GENERATED IMAGE                                          | NO                                                  |
| COLOR MARK                                                     | NO                                                  |
| DESCRIPTION OF THE MARK<br>(and Color Location, if applicable) | The mark consists of a shoe.                        |
| PIXEL COUNT ACCEPTABLE                                         | YES                                                 |
| PIXEL COUNT                                                    | 612 x 800                                           |
| <b>APPLICANT INFORMATION</b>                                   |                                                     |
| *OWNER OF MARK                                                 | Nike, Inc.                                          |
| *STREET                                                        | One Bowerman Drive                                  |
| *CITY                                                          | Beaverton                                           |
| *STATE<br>(Required for U.S. applicants)                       | Oregon                                              |
| *COUNTRY                                                       | United States                                       |
| *ZIP/POSTAL CODE<br>(Required for U.S. applicants only)        | 97005                                               |
| <b>LEGAL ENTITY INFORMATION</b>                                |                                                     |
| *TYPE                                                          | CORPORATION                                         |
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|                            |                                                        |
|----------------------------|--------------------------------------------------------|
| INTERNATIONAL CLASS        | 025                                                    |
| FIRST USE ANYWHERE DATE    | At least as early as 10/28/1982                        |
| FIRST USE IN COMMERCE DATE | At least as early as 10/28/1982                        |
| DESCRIPTION                | Footwear                                               |
| FILING BASIS               | SECTION 1(a)                                           |
| FIRST USE ANYWHERE DATE    | At least as early as 10/28/1982                        |
| FIRST USE IN COMMERCE DATE | At least as early as 10/28/1982                        |
| SPECIMEN FILE NAME(S)      | WTICRS\EXPORT\IMAGE\OUT\77055377055375.xml\APP0003.JPG |
| SPECIMEN DESCRIPTION       | photo of the goods                                     |

#### ATTORNEY INFORMATION

|                                     |                                                                                                                                                                                              |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| NAME                                | Keith W. Medansky                                                                                                                                                                            |
| ATTORNEY DOCKET NUMBER              | 247958-000002                                                                                                                                                                                |
| FIRM NAME                           | DLA Piper US LLP                                                                                                                                                                             |
| STREET                              | P O. Box 64807                                                                                                                                                                               |
| CITY                                | Chicago                                                                                                                                                                                      |
| STATE                               | Illinois                                                                                                                                                                                     |
| COUNTRY                             | United States                                                                                                                                                                                |
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| PHONE                               | 312.368.4000                                                                                                                                                                                 |
| FAX                                 | 312.236.7516                                                                                                                                                                                 |
| EMAIL ADDRESS                       | chtm@dlapiper.com                                                                                                                                                                            |
| AUTHORIZED TO COMMUNICATE VIA EMAIL | Yes                                                                                                                                                                                          |
| OTHER APPOINTED ATTORNEY            | Mark I. Feldman, James P. Ryther, Christina L. Martini, Monica L. Thompson, Linda Urbanik Johnson, Thomas W. Ryan, Micah R. Oprit, Gina L. Durham, Jennifer J. Ruttenberg and Amy C. Ziegler |

#### CORRESPONDENCE INFORMATION

|      |                   |
|------|-------------------|
| NAME | Keith W. Medansky |
|------|-------------------|

|                                     |                   |
|-------------------------------------|-------------------|
| FIRM NAME                           | DLA Piper US LLP  |
| STREET                              | P.O. Box 64807    |
| CITY                                | Chicago           |
| STATE                               | Illinois          |
| COUNTRY                             | United States     |
| ZIP/POSTAL CODE                     | 60664 0807        |
| PHONE                               | 312 368 4000      |
| FAX                                 | 312 236 7516      |
| EMAIL ADDRESS                       | chtm@dlapiper.com |
| AUTHORIZED TO COMMUNICATE VIA EMAIL | Yes               |

**FEE INFORMATION**

|                   |     |
|-------------------|-----|
| NUMBER OF CLASSES | 1   |
| FEE PER CLASS     | 325 |
| TOTAL FEE DUE     | 325 |

**SIGNATURE INFORMATION**

|                      |                       |
|----------------------|-----------------------|
| SIGNATURE            | /Jennifer E. Yruegas/ |
| SIGNATORY'S NAME     | Jennifer E. Yruegas   |
| SIGNATORY'S POSITION | Attorney, Nike, Inc.  |
| DATE SIGNED          | 12/01/2006            |

**FILING INFORMATION SECTION**

|             |                                                                                                                                       |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------|
| SUBMIT DATE | Fri Dec 01 16:31:43 EST 2006                                                                                                          |
| TEAS STAMP  | USPTO/BAS-206 181 141 34-<br>20061201163143108661-7705<br>5375-35023aa57feeceb67de7<br>1a5d2d416fd3e3-DA-365-200<br>61201160101885715 |

**Trademark/Service Mark Application, Principal Register**

Serial Number: 77055375

Filing Date: 12/01/2006

**To the Commissioner for Trademarks:**

**MARK:** (Stylized and/or Design, see mark)

The mark consists of a shoe

The applicant, Nike, Inc., a corporation of Oregon, having an address of One Bowerman Drive, Beaverton, Oregon, United States, 97005, requests registration of the trademark/service mark identified above in the United States Patent and Trademark Office on the Principal Register established by the Act of July 5, 1946 (15 U.S.C. Section 105) et seq.), as amended.

For specific filing basis information for each item, you must view the display within the Input Table.

International Class 025: Footwear

If the applicant is filing under Section 1(b), intent to use, the applicant declares that it has a bona fide intention to use or use through the applicant's related company or licensee the mark in commerce on or in connection with the identified goods and/or services. 15 U.S.C. Section 1051(b), as amended.

If the applicant is filing under Section 1(a), actual use in commerce, the applicant declares that it is using the mark in commerce, or the applicant's related company or licensee is using the mark in commerce, on or in connection with the identified goods and/or services. 15 U.S.C. Section 1051(a), as amended.

If the applicant is filing under Section 44(d), priority based on foreign application, the applicant declares that it has a bona fide intention to use the mark in commerce on or in connection with the identified goods and/or services, and asserts a claim of priority based on a specified foreign application(s). 15 U.S.C. Section 1126(d), as amended.

If the applicant is filing under Section 44(e), foreign registration, the applicant declares that it has a bona fide intention to use the mark in commerce on or in connection with the identified goods and/or services, and submits a copy of the supporting foreign registration(s) and translation thereof, if appropriate. 15 U.S.C. Section 1126(e), as amended.

The applicant hereby appoints Keith W. Medansky and Mark I. Feldman, James P. Ryther, Christina L. Martini, Monica L. Thompson, Linda Urbanik Johnson, Thomas W. Ryan, Micah R. Onix, Gina L. Durham, Jennifer J. Rutenberg and Amy C. Ziegler of DLA Piper US LLP, P.O. Box 64807, Chicago, Illinois, United States, 60664-0807 to submit this application on behalf of the applicant. The attorney docket/reference number is 247958-000002.

Correspondence Information: Keith W. Medansky  
P.O. Box 64807

Chicago, Illinois 60664-0807  
312.368.4000(phone)  
312.236.7516(fax)  
chtm@dlapiper.com (authorized)

A fee payment in the amount of \$325 will be submitted with the application, representing payment for 1 class(es).

#### Declaration

The undersigned, being hereby warned that willful false statements and the like so made are punishable by fine or imprisonment, or both, under 18 U.S.C. Section 1001, and that such willful false statements, and the like, may jeopardize the validity of the application or any resulting registration, declares that he/she is properly authorized to execute this application on behalf of the applicant, he/she believes the applicant to be the owner of the trademark/service mark sought to be registered, or, if the application is being filed under 15 U.S.C. Section 1051(b), he/she believes applicant to be entitled to use such mark in commerce; to the best of his/her knowledge and belief no other person, firm, corporation, or association has the right to use the mark in commerce, either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection with the goods/services of such other person, to cause confusion, or to cause mistake, or to deceive; and that all statements made of his/her own knowledge are true; and that all statements made on information and belief are believed to be true.

Signature: /Jennifer E. Yruegas/ Date Signed: 12/01/2006  
Signatory's Name: Jennifer E. Yruegas  
Signatory's Position: Attorney, Nike, Inc.

RAM Safe Number: 365  
RAM Accounting Date: 12/04/2006

Serial Number: 77055375  
Internet Transmission Date: Fri Dec 01 16:31:43 EST 2006  
TEAS Stamp: USPTO/BAS-206.181.141.34-20061201163143  
08661-77055375-35023aa57fccc6b7de71a5d2  
d416fd3e3-DA-365-20061201160101885715











From: TMDesignCodeComments  
Sent: Thursday, December 7, 2006 00:08 AM  
To: chrm@diaper.com  
Subject: Notice of Design Search Code for Serial Number: 77065375

ATTORNEY REFERENCE NUMBER: 247958-00000

The USPTO may assign design search codes, as appropriate, to new applications to assist in searching the USPTO database for conflicting marks. They have no legal significance and will not appear on the registration certificate. DESIGN SEARCH CODES are numerical codes assigned to figurative, non-textual elements found in marks. For example, if your mark contains the design of a flower, design search code 05.05 would be assigned to your application. Design search codes are described on Internet Web page <http://www.uspto.gov/tmdh/dscm/index.html>. You are not required to respond to this notice. However, if you would like to suggest additions or changes to the design search codes assigned to your mark, please send an email to [TMDesignCodeComments@USPTO.GOV](mailto:TMDesignCodeComments@USPTO.GOV) or call 1-800-786-9199 to speak to a Customer Service representative. No fee is necessary. (Please include the serial number of your application on ALL correspondence with the USPTO.) The USPTO will review your request and update the record if appropriate. The USPTO will not send any further response to your e-mail. Check TESS in approximately two weeks to see if the requested changes have been entered. Requests deemed unnecessary or inappropriate will not be entered. Design search codes assigned to the referenced serial number are listed below.

DESIGN SEARCH CODES:

09.07.02 - Athletic shoes  
09.07.02 - Boots, ski  
09.07.02 - Exercise shoes  
09.07.02 - Gym shoes  
09.07.02 - Roller skates  
09.07.02 - Skates  
09.07.02 - Ski boots

| User: gfindict |                |               |                        |                          |                               |              |
|----------------|----------------|---------------|------------------------|--------------------------|-------------------------------|--------------|
| #              | Total<br>Marks | Dead<br>Marks | Live<br>Viewed<br>D-sc | Live<br>Viewed<br>Images | Status/<br>Search<br>Duration | Search       |
| 01             | 1              | 0             | 1                      | 1                        | 0:01                          | 7205546[SA]  |
| 02             | 0              | 0             | 0                      | 0                        | 0:01                          | 080702[hu,n] |
| 03             | 1871           | N/A           | 0                      | 0                        | 0:01                          | 090702[dc]   |
| 04             | 1254924        | N/A           | 0                      | 0                        | 0:03                          | 025[rc]      |
| 05             | 985            | 655           | 10                     | 35                       | 0:01                          | 3 and 4      |

Session started: 06/2007 08:57 PM

Session finished: 06/2007 8:34:18 PM

Total search duration: 0 minutes 7 seconds

Session duration: 27 min. 30 seconds

Default NEAR Image FADJ limit=1

Sent to TURN as Serial Number: 72055375

**To:** Nike, Inc. (chun@dlapiper.com)  
**Subject:** TRADEMARK APPLICATION NO. 77055375 - 247958-00000  
**Sent:** 3/7/2007 11:48:05 AM  
**Sent As:** ECOM111@USPTO.GOV  
**Attachments:** [Attachment - 1](#)  
[Attachment - 2](#)

**UNITED STATES PATENT AND TRADEMARK OFFICE**

**SERIAL NO:** 77055375

**APPLICANT:** Nike, Inc.

**CORRESPONDENT ADDRESS**

KEITH W. MEDANSKY  
DLA PIPER US LLP  
PO BOX 64807  
CHICAGO, IL 60664-0807

**\*77055375\***

**RETURN ADDRESS:**

Commissioner for Trademarks  
P.O. Box 1451  
Alexandria, VA 22313-1451

**MARK:**

**CORRESPONDENT'S REFERENCE/DOCKET NO:** 247958-00000

Please provide in a future correspondence:

**CORRESPONDENT EMAIL ADDRESS**

chun@dlapiper.com

1. Filing date, serial number, mark and applicant's name
2. Date of this Office Action
3. Examining Attorney's name and Law Office number
4. Your telephone number and e-mail address

**OFFICE ACTION**

**RESPONSE TIME LIMIT:** TO AVOID ABANDONMENT, THE OFFICE MUST RECEIVE A PROPER RESPONSE TO THIS OFFICE ACTION WITHIN 6 MONTHS OF THE MAILING OR E-MAILING DATE.

**MAILING/E-MAILING DATE INFORMATION:** If the mailing or e-mailing date of this Office action does not appear above, this information can be obtained by visiting the USPTO website at <http://tair.uspto.gov/>, inserting the application serial number, and viewing the prosecution history for the mailing date of the most recently issued Office communication.

Serial Number 77055375

The assigned trademark examining attorney has reviewed the referenced application and has determined the following:

**Search Results**

The examining attorney has searched the Office records and has found no similar registered or pending mark which would bar registration under Trademark Act Section 2(d), 15 U.S.C. §1052(d). TMFP §704.02

**Sections 1, 2 and 45 - Configuration of Goods**

The examining attorney refuses registration on the Principal Register because the proposed mark is a configuration of the goods that has not acquired distinctiveness as a source indicator for the applicant's goods in commerce. Trademark Act Sections 1, 2 and 45, 15 U.S.C. §§1051, 1052 and 1127. The United States Supreme Court has held that a configuration of a product can never be inherently distinctive, and is registrable on the Principal Register only with a showing of acquired distinctiveness. *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 54 USPQ2d 1065 (2000). See also *Texton, Inc. v. U.S. International Trade Commission*, 753 F.2d 1019, 224 USPQ 625 (Fed. Cir. 1985); *In re Craigmyle*, 224 USPQ 791 (TTAB 1984), TMEP §1202.02(b)(i).

In the event of any further prosecution of the application, the applicant must present evidence that the proposed mark has acquired distinctiveness for the applicant's goods in commerce by submitting examples of advertising and promotional materials that specifically promote the subject matter for which registration is sought as a mark, dollar figures for advertising devoted to such promotion, dealer and consumer statements of recognition of the subject matter as a mark and any other evidence that establishes recognition of the matter as a mark for the goods. The evidence must relate to the promotion and recognition of the specific configuration embodied in the proposed mark and not to the goods in general. *Wal-Mart*, 529 U.S. at 211, 54 USPQ2d at 1068. See TMEP §§1212.06 *et seq.* regarding evidence of acquired distinctiveness.

In the present case, the applicant seeks to register a configuration of the a sports shoe. As stated above, the Supreme Court has held that a configuration of a product can never be inherently distinctive, and is registrable on the Principal Register only with a showing of acquired distinctiveness. *Wal-Mart*.

If the applicant chooses to respond to the refusal to register, the applicant must also respond to the following informality:

**Specimen Unacceptable**

The specimen is not acceptable because it does not show the applied-for mark used in connection with the goods specified in the application. An application must include a specimen showing the applied for mark in use in commerce for each class of goods and/or services based on Section 1(a) in the application. Trademark Act Sections 1 and 45, 15 U.S.C. §§1051 and 1127, 37 C.F.R. §§2.34(a)(1)(iv) and 2.56. TMEP §§904 and 1301.04.

In this case, the specimen displays a shoe which is of a different configuration from the mark applied for. Indeed, a distinctive checkmark design appears on the specimen which does not appear on the drawing. See attachments.

Therefore, applicant must submit the following:

- (1) A substitute specimen showing use of the applied-for configuration; and
- (2) The following statement, verified with an affidavit or signed declaration under 37 C.F.R. § 2.20: "The specimen was in use in commerce at least as early as the filing date of the application." 37 C.F.R. § 2.59(a); TMEP § 904.09. If submitting a specimen requires an amendment to the dates of use, applicant must also verify the amended dates. 37 C.F.R. § 2.71(c).

Pending a proper response, registration is refused because the specimen does not show the applied-for mark in use in commerce as a trademark for the identified goods. 15 U.S.C. §§ 1051 and 1127; 37 C.F.R. §§ 2.34(a)(1)(iv) and 2.56.

Please note, the applicant may not amend the drawing to conform to the specimen of use. Such an amendment would necessarily contain a material alteration of the mark. The mark in a drawing cannot be amended if the change would materially alter the mark. TMEP § 807.14. The Office determines whether a proposed amendment materially alters a mark by comparing the proposed amendment with the drawing of the mark filed with the original application. 37 C.F.R. § 2.72; TMEP § 807.14(c).

If republication of the amended mark would be necessary in order to provide proper notice to third parties for opposition purposes, then the mark has been materially altered and the amendment is not permitted. *In re Who? Vision Systems Inc.*, 57 USPQ2d 1211, 1218 (TTAB 2000). "The modified mark must contain the essence of the original mark, and the new form must create the impression of being essentially the same mark." *Visa International Service Association v. Life Code Systems, Inc.*, 220 USPQ 740, 743 (TTAB 1983). "That is, the new and old forms of the mark must create essentially the same commercial impression." *In re Nationwide Industries Inc.*, 6 USPQ2d 1882, 1885 (TTAB 1988).

#### Distinctiveness under Section 2(f)

If the applicant can produce an acceptable specimen of use, the applicant may overcome the Trademark Sections 1, 2 and 45 configuration refusal by claiming acquired distinctiveness. The record indicates that the applicant has used its mark for a long time; therefore, applicant may seek registration on the Principal Register under Trademark Act Section 2(f), 15 U.S.C. § 1052(f), based on acquired distinctiveness. To amend the application to Section 2(f) based on five years use, applicant should submit the following written statement claiming acquired distinctiveness, if accurate:

The mark has become distinctive of the goods and/or services through applicant's substantially exclusive and continuous use in commerce for at least the five years immediately before the date of this statement.

The applicant must verify this statement with a notarized affidavit or a signed declaration under 37 C.F.R. § 2.20, 37 C.F.R. § 2.41(h); TMEP § 1212.05(d). The applicant may also wish to consider amendment to the Supplemental Register.

The following is a properly worded declaration under 37 C.F.R. § 2.20. At the end of the response, the applicant should insert the declaration signed by a person authorized to sign under 37 C.F.R. § 2.33(a).

The undersigned, being hereby warned that willful false statements and the like so made are punishable by fine or imprisonment, or both, under 18 U.S.C. § 1001, and that such willful false statements may jeopardize the validity of the application or any resulting registration, declares that the facts set forth in this application are true; all statements made of his/her own knowledge are true; and all statements made on information and belief are believed to be true.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print or Type Name and Position)

\_\_\_\_\_  
(Date)

No set form is required for response to this Office action. The applicant must respond to each point raised. The applicant should simply set forth the required changes or statements and request that the Office enter them. The applicant must sign the response. In addition to the identifying information required at the beginning of this letter, the applicant should provide a telephone number to speed up further processing.

In all correspondence to the Patent and Trademark Office, the applicant should list the name and law office of the examining attorney, the serial number of this application, the mailing date of this Office action, and the applicant's telephone number.

/Geoffrey Fosdick/  
Geoffrey Fosdick  
Trademark Attorney  
Trademark Office III  
(571) 272-9161

**HOW TO RESPOND TO THIS OFFICE ACTION:**

- **(ONLINE RESPONSE):** You may respond using the Office's Trademark Electronic Application System (TEAS) Response to Office action form available on our website at <http://www.uspto.gov/teas/index.html>. If the Office action issued via e-mail, you must wait 72 hours after receipt of the Office action to respond via TEAS. **NOTE: Do not respond by e-mail. THE USPTO WILL NOT ACCEPT AN E-MAILED RESPONSE.**
- **REGULAR MAIL RESPONSE:** To respond by regular mail, your response should be sent to the mailing return address above, and include the serial number, law office number, and examining attorney's name. **NOTE: The filing date of the response will be the date of receipt in the Office.**

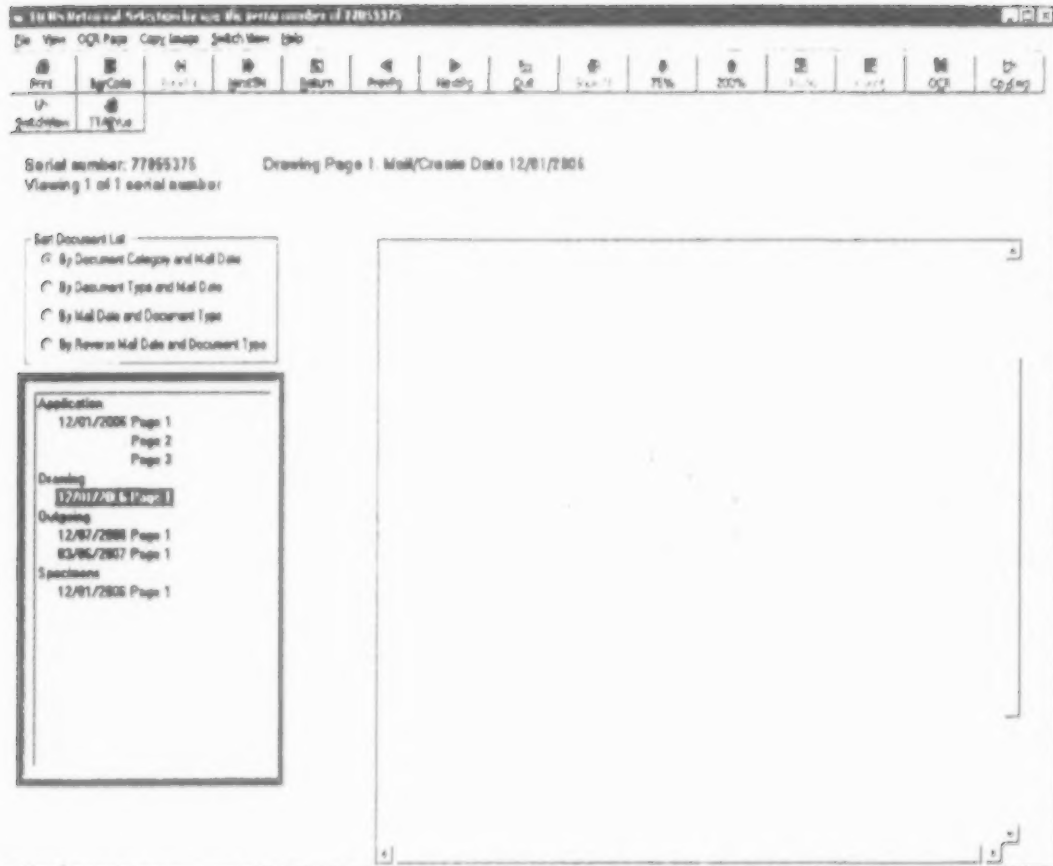
not the postmarked date. To ensure your response is timely, use a certificate of mailing. 37 C.F.R. §2.197.

**STATUS OF APPLICATION:** To check the status of your application, visit the Office's Trademark Applications and Registrations Retrieval (TARR) system at <http://tarr.uspto.gov>.

**VIEW APPLICATION DOCUMENTS ONLINE:** Documents in the electronic file for pending applications can be viewed and downloaded online at <http://portal.uspto.gov/external/portal/tow>.

**GENERAL TRADEMARK INFORMATION:** For general information about trademarks, please visit the Office's website at <http://www.uspto.gov/main/trademarks.htm>.

**FOR INQUIRIES OR QUESTIONS ABOUT THIS OFFICE ACTION, PLEASE CONTACT THE ASSIGNED EXAMINING ATTORNEY SPECIFIED ABOVE.**



VIEW retrieval selection by specific serial number of 77055375

File View Open Page Copy Image Print Home Help

PDF By Date Mail Search Return Reading Sending Out Show 25% Full Screen Copy

IP Switch Mail ITAP Mail

Serial number: 77055375 Specimens Page 1, Mail/Creation Date 12/01/2006

Viewing 1 of 1 serial number

Sort Document List

- ☒ By Document Category and Mail Date
- ☐ By Document Type and Mail Date
- ☐ By Mail Date and Document Type
- ☐ By Reverse Mail Date and Document Type

Application

- 12/01/2006 Page 1
- Page 2
- Page 3

Grounding

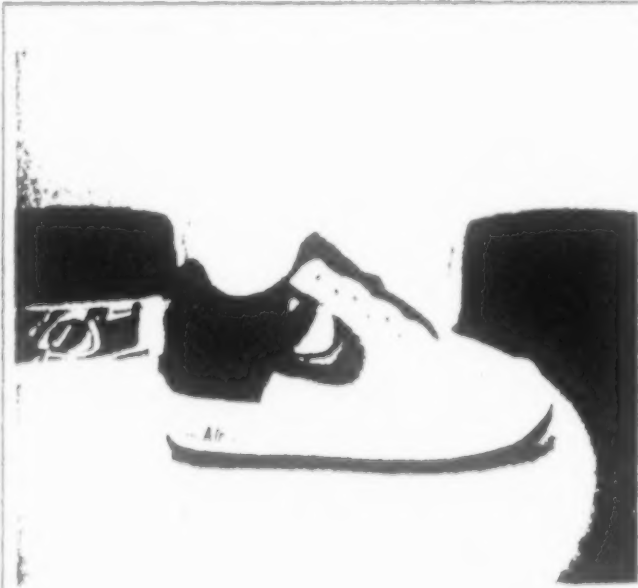
- 12/01/2006 Page 1

Outgoing

- 12/02/2006 Page 1
- 03/06/2007 Page 1

Specimens

- 12/01/2006 Page 1



FAST Exam... VIEW RETL...

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: Nike, Inc. ) I hereby certify that this paper is being  
Mark: Miscellaneous Design ) deposited with the United States Postal Service  
(Low Design) ) as first class mail in an envelope addressed to:  
Serial No.: 77/055,375 ) The Honorable Commissioner for Trademarks  
Filing Date: December 1, 2006 ) P.O. Box 1451  
Geoffrey Fosdick, Esq. ) Alexandria, Virginia 22313-1451  
Examining Attorney ) on this date.  
Law Office 111 ) May 23, 2007  
 ) *[Signature]*  
 ) Attorney for Applicant

RESPONSE

This is in response to the Office Action of March 7, 2007, in connection with the above-identified application. Please amend the application as follows:

On page one of the application, please insert the following:

--THE MARK HAS BECOME DISTINCTIVE OF THE GOODS AND/OR SERVICES THROUGH APPLICANT'S SUBSTANTIALLY EXCLUSIVE AND CONTINUOUS USE IN COMMERCE FOR AT LEAST THE FIVE YEARS IMMEDIATELY BEFORE THE DATE OF THIS STATEMENT--

REMARKS

In the Office Action, the Examining Attorney initially refused registration of the proposed mark contending that it is a product configuration and the Applicant has yet to submit evidence of acquired distinctiveness. The Examining Attorney stated, "a configuration of a product can never be inherently distinctive, and is registrable on the Principle Register only with a showing of acquired distinctiveness." In response, the Applicant respectfully disputes that the instant mark is a mere configuration; however, the Applicant submits that its mark has acquired

U.S. PATENT & TRADEMARK OFFICE

06-29-2007

U.S. Patent & Trademark Office Form 12.1 (12/01)

distinctiveness in accordance with Section 2(f) of the Lanham Trademark Act, 15 U.S.C. § 1052(f), and is, therefore, registrable on the Principal Register.

The instant mark is the distinctive design of the Air Force 1 "Low" shoe.

The Applicant has used the mark in commerce in connection with footwear since at least as early as October 28, 1982. The mark has become distinctive of the goods through the Applicant's exclusive and continuous use in commerce for at least the five years immediately before the date of this statement. The Declaration of Jennifer E. Yruegas, Attorney for the Applicant, verifying this statement, is submitted herewith. For this reason, the Applicant is entitled to registration of its mark under Section 2(f) of the Trademark Act.

Additionally, the Examining Attorney refused registration because the specimen of record does not show the applied-for mark used in connection with the goods specified in the application. The Applicant notes with appreciation the telephone interviews and email exchange with the Examining Attorney regarding the inability to clearly view the originally submitted specimen. The Applicant believes that the image of the specimen did not transmit electronically in a clear way. The Applicant hereby submits a clearer image of the same specimen previously submitted in this matter together with a Declaration of Ms. Yruegas verifying that the substitute specimen was in use at least as early as the filing date of this application.

The Commissioner is hereby authorized to charge any additional fees which may be required in this proceeding during its entire pendency, or credit any overpayment, to Deposit Account No. 18-2284.

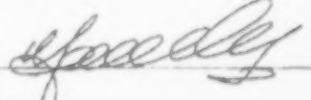
#### CONCLUSION

In view of the foregoing, and since the Examining Attorney has found no similar registered or pending mark that would bar registration under Section 2(d) of the Trademark Act,

the Applicant respectfully requests that the application be approved for publication. An early publication date is respectfully requested

Respectfully submitted,

Dated: 5/23/07

By: 

Keith Medarsky  
Nicole Ann Chaudhari  
**DLA PIPER US LLP**  
P.O. Box 64807  
Chicago, IL 60664-0807  
312-368-4000

*Attorneys for Applicant*

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: Nike, Inc. )  
 )  
Mark: Miscellaneous Design )  
(Low Design) )  
 )  
Serial No.: 77/055,375 )  
 )  
Filing Date: December 1, 2006 )  
 )  
Geoffrey Fosdick, Esq. )  
Examining Attorney )  
Law Office 111 )

DECLARATION

I, Jennifer E. Yruegas of Beaverton, Oregon, being duly sworn, declare:

1. I am an attorney for the Applicant, and am authorized to execute this Declaration on behalf of said corporation.
2. I am familiar with the use of the mark identified in the above-captioned application.
3. Applicant has used the mark as a distinctive mark in commerce in connection with footwear since at least as early as October 28, 1982.
4. The mark has become distinctive of the goods/services through applicant's substantially exclusive and continuous use in commerce for at least the five years immediately before the date of this statement.
5. I have reviewed the substitute specimen attached hereto. The substitute specimen was in use in commerce at least as early as the filing date of the application.

The undersigned, being hereby warned that willful false statements and the like so made are punishable by fine or imprisonment, or both, under 18 U.S.C. §1001, and that such willful false statements may jeopardize the validity of this application or any resulting registration, declares that the facts set forth in this application are true; all statements made of his/her knowledge are true; and all statements made on information and belief are believed to be true.

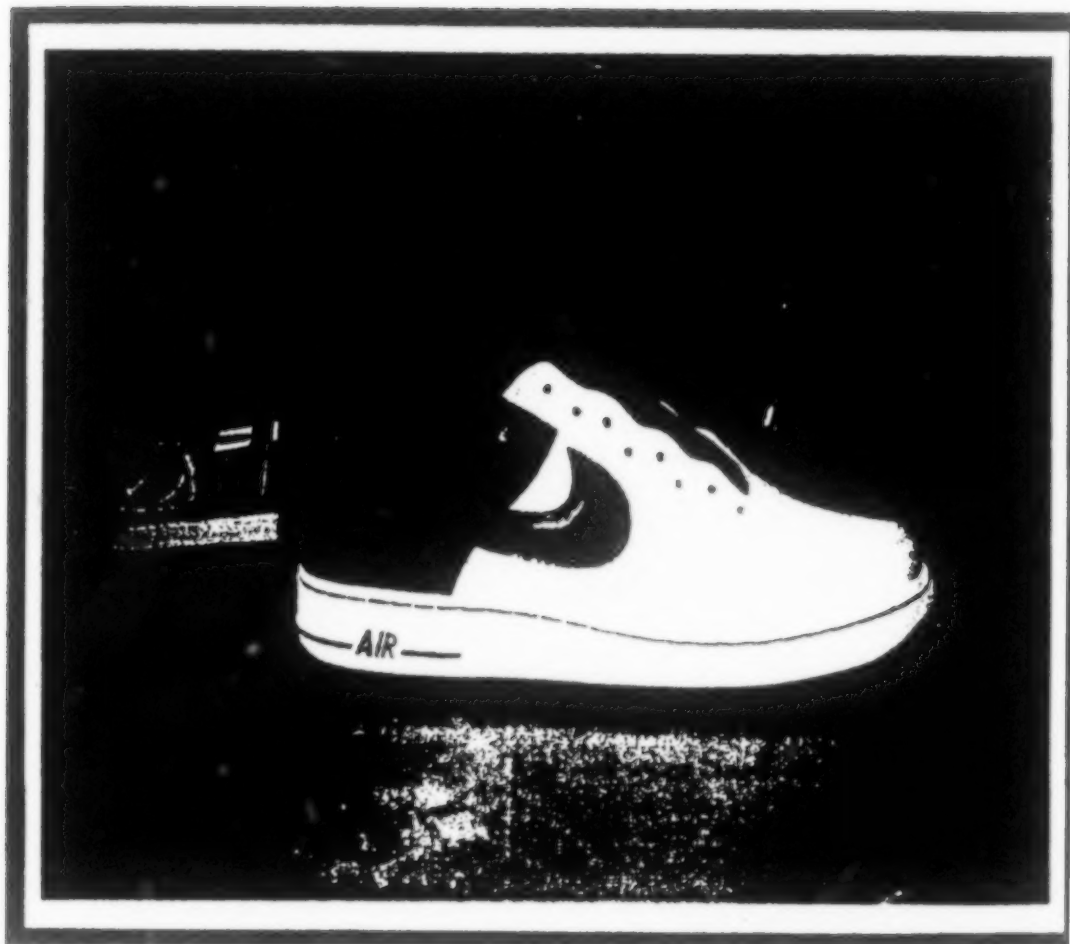
NIKE, INC.

By: 

Name: Jennifer E. Yruegas

Title: Attorney, Nike, Inc.

Date: 5-17-07



**Trademark Snap Shot Amendment & Mail Processing Stylesheet**  
 (Table presents the data on Amendment & Mail Processing Complete)

**OVERVIEW**

|               |                     |               |            |
|---------------|---------------------|---------------|------------|
| SERIAL NUMBER | 77055375            | FILING DATE   | 12/01/2006 |
| REG NUMBER    | 0000000             | REG DATE      | N/A        |
| REGISTER      | PRINCIPAL           | MARK TYPE     | TRADEMARK  |
| INTL REG #    | N/A                 | INTL REG DATE | N/A        |
| TM ATTORNEY   | POSDICK, GEOFFREY A | LO ASSIGNED   | 111        |

**PUB INFORMATION**

|                      |                                             |
|----------------------|---------------------------------------------|
| RUN DATE             | 05/14/2007                                  |
| PUB DATE             | N/A                                         |
| STATUS               | 661-RESPONSE AFTER NON FINAL-ACTION-ENTERED |
| STATUS DATE          | 06/13/2007                                  |
| LITERAL MARK ELEMENT |                                             |

|                |     |                    |     |
|----------------|-----|--------------------|-----|
| DATE ABANDONED | N/A | DATE CANCELLED     | N/A |
| SECTION 2F     | YES | SECTION 2F IN PART | NO  |
| SECTION 8      | NO  | SECTION 8 IN PART  | NO  |
| SECTION 15     | NO  | REPUB 12C          | N/A |
| RENEWAL FILED  | NO  | RENEWAL DATE       | N/A |
| DATE AMEND REG | N/A |                    |     |

**FILING BASIS**

| FILED BASIS |     | CURRENT BASIS |     | AMENDED BASIS |    |
|-------------|-----|---------------|-----|---------------|----|
| 1 (a)       | YES | 1 (a)         | YES | 1 (a)         | NO |
| 1 (b)       | NO  | 1 (b)         | NO  | 1 (b)         | NO |
| 44D         | NO  | 44D           | NO  | 44D           | NO |
| 44E         | NO  | 44E           | NO  | 44E           | NO |
| 86A         | NO  | 86A           | NO  |               |    |
| NO BASIS    | NO  | NO BASIS      | NO  |               |    |

**MARK DATA**

|                         |                                                                   |
|-------------------------|-------------------------------------------------------------------|
| STANDARD CHARACTER MARK | NO                                                                |
| LITERAL MARK ELEMENT    |                                                                   |
| MARK DRAWING CODE       | 2 AN ILLUSTRATION DRAWING WITHOUT ANY WORD(S)/LETTER(S)/NUMBER(S) |
| COLOR DRAWING FLAG      | NO                                                                |

#### CURRENT OWNER INFORMATION

|             |                                           |
|-------------|-------------------------------------------|
| PARTY TYPE  | 10-ORIGINAL APPLICANT                     |
| NAME        | Nike, Inc.                                |
| ADDRESS     | One Bowerman Drive<br>Beaverton, OR 97005 |
| ENTITY      | 03-CORPORATION                            |
| CITIZENSHIP | Oregon                                    |

#### GOODS AND SERVICES

|                     |          |
|---------------------|----------|
| INTERNATIONAL CLASS | 025      |
| DESCRIPTION TEXT    | Footwear |

#### GOODS AND SERVICES CLASSIFICATION

|                     |     |                |            |                            |            |              |          |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|
| INTERNATIONAL CLASS | 025 | FIRST USE DATE | 10/28/1982 | FIRST USE IN COMMERCE DATE | 10/28/1982 | CLASS STATUS | 6-ACTIVE |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|

#### MISCELLANEOUS INFORMATION/STATEMENTS

|                          |                                                |
|--------------------------|------------------------------------------------|
| CHANGE IN REGISTRATION   | NO                                             |
| COLORS CLAIMED STATEMENT | Color is not claimed as a feature of the mark. |
| DESCRIPTION OF MARK      | The mark consists of a shoe.                   |

#### PROSECUTION HISTORY

| DATE       | ENT CD | ENT TYPE | DESCRIPTION                           | ENT NUM |
|------------|--------|----------|---------------------------------------|---------|
| 06/13/2007 | ACEG   | I        | AMENDMENT FROM APPLICANT ENTERED      | 009     |
| 06/13/2007 | CRFA   | I        | CORRESPONDENCE RECEIVED IN LAW OFFICE | 008     |
| 06/13/2007 | ALIE   | A        | ASSIGNED TO LIE                       | 007     |
| 05/29/2007 | MAIL   | I        | PAPER RECEIVED                        | 006     |

|            |      |   |                                     |     |
|------------|------|---|-------------------------------------|-----|
| 03/07/2007 | GNRT | F | NON-FINAL ACTION E-MAILED           | 005 |
| 03/07/2007 | CHRT | R | NON-FINAL ACTION WRITTEN            | 004 |
| 03/01/2007 | DOCK | D | ASSIGNED TO EXAMINER                | 003 |
| 12/07/2006 | MDSC | O | NOTICE OF DESIGN SEARCH CODE MAILED | 002 |
| 12/06/2006 | NWAP | I | NEW APPLICATION ENTERED IN TRAM     | 001 |

#### CURRENT CORRESPONDENCE INFORMATION

|                         |                                                                                 |
|-------------------------|---------------------------------------------------------------------------------|
| ATTORNEY                | Keith W. Medansky                                                               |
| CORRESPONDENCE ADDRESS  | KEITH W. MEDANSKY<br>DLA PIPER US LLP<br>PO BOX 64807<br>CHICAGO, IL 60664-0807 |
| DOMESTIC REPRESENTATIVE | NONE                                                                            |



**Trademark Snap Shot Publication Stylesheet**  
(Table presents the data on Publication Approval)

## OVERVIEW

|               |                     |               |            |
|---------------|---------------------|---------------|------------|
| SERIAL NUMBER | 77055375            | FILING DATE   | 12/01/2006 |
| REG NUMBER    | 0000000             | REG DATE      | N/A        |
| REGISTER      | PRINCIPAL           | MARK TYPE     | TRADEMARK  |
| INTL REG #    | N/A                 | INTL REG DATE | N/A        |
| TM ATTORNEY   | FOSDICK, GEOFFREY A | L.O. ASSIGNED | 111        |

## PUB INFORMATION

|             |                              |
|-------------|------------------------------|
| RUN DATE    | 06/15/2007                   |
| PUB DATE    | N/A                          |
| STATUS      | 680 APPROVED FOR PUBLICATION |
| STATUS DATE | 06/14/2007                   |

## LITERAL MARK ELEMENT

|                |     |                    |     |
|----------------|-----|--------------------|-----|
| DATE ABANDONED | N/A | DATE CANCELLED     | N/A |
| SECTION 2F     | YES | SECTION 2F IN PART | NO  |
| SECTION 8      | NO  | SECTION 8 IN PART  | NO  |
| SECTION 15     | NO  | REPUB 12C          | N/A |
| RENEWAL FILED  | NO  | RENEWAL DATE       | N/A |
| DATE AMEND REG | N/A |                    |     |

## FILING BASIS

| FILED BASIS |     | CURRENT BASIS |     | AMENDED BASIS |    |
|-------------|-----|---------------|-----|---------------|----|
| 1 (a)       | YES | 1 (a)         | YES | 1 (a)         | NO |
| 1 (b)       | NO  | 1 (b)         | NO  | 1 (b)         | NO |
| 44D         | NO  | 44D           | NO  | 44D           | NO |
| 44E         | NO  | 44E           | NO  | 44E           | NO |
| 66A         | NO  | 66A           | NO  |               |    |
| NO BASIS    | NO  | NO BASIS      | NO  |               |    |

## MARK DATA

|                         |                                                               |
|-------------------------|---------------------------------------------------------------|
| STANDARD CHARACTER MARK | NO                                                            |
| LITERAL MARK ELEMENT    |                                                               |
| MARK DRAWING CODE       | 2:AN ILLUSTRATION (DRAWING WITHOUT ANY WORDS/LETTERS/NUMBERS) |
| COLOR DRAWING FLAG      | NO                                                            |

#### CURRENT OWNER INFORMATION

|             |                                           |
|-------------|-------------------------------------------|
| PARTY TYPE  | 10-ORIGINAL APPLICANT                     |
| NAME        | Nike, Inc.                                |
| ADDRESS     | One Bowerman Drive<br>Beaverton, OR 97005 |
| ENTITY      | 03-CORPORATION                            |
| CITIZENSHIP | Oregon                                    |

#### GOODS AND SERVICES

|                     |          |
|---------------------|----------|
| INTERNATIONAL CLASS | 025      |
| DESCRIPTION TEXT    | Footwear |

#### GOODS AND SERVICES CLASSIFICATION

|                     |     |                |            |                            |            |              |          |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|
| INTERNATIONAL CLASS | 025 | FIRST USE DATE | 10/26/1992 | FIRST USE IN COMMERCE DATE | 10/26/1992 | CLASS STATUS | 6-ACTIVE |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|

#### MISCELLANEOUS INFORMATION/STATEMENTS

|                          |                                                |
|--------------------------|------------------------------------------------|
| CHANGE IN REGISTRATION   | NO                                             |
| COLORS CLAIMED STATEMENT | Color is not claimed as a feature of the mark. |
| DESCRIPTION OF MARK      | The mark consists of a shoe.                   |

#### PROSECUTION HISTORY

| DATE       | ENT CD | ENT TYPE | DESCRIPTION                           | ENT NUM |
|------------|--------|----------|---------------------------------------|---------|
| 06/14/2007 | CNSA   | O        | APPROVED FOR PUB - PRINCIPAL REGISTER | 010     |
| 06/13/2007 | ACLC   | I        | AMENDMENT FROM APPLICANT ENTERED      | 009     |
| 06/13/2007 | CRFA   | I        | CORRESPONDENCE RECEIVED IN LAW OFFICE | 008     |
| 06/13/2007 | ALIE   | A        | ASSIGNED TO LIE                       | 007     |

|            |      |   |                                     |     |
|------------|------|---|-------------------------------------|-----|
| 05/29/2007 | MAIL | I | PAPER RECEIVED                      | 006 |
| 03/07/2007 | GNRT | F | NON FINAL ACTION E MAILED           | 008 |
| 03/07/2007 | CNRT | R | NON FINAL ACTION WRITTEN            | 004 |
| 03/01/2007 | DOCK | D | ASSIGNED TO EXAMINER                | 003 |
| 12/07/2006 | MDSC | D | NOTICE OF DESIGN SEARCH CODE MAILED | 002 |
| 12/06/2006 | NWAP | I | NEW APPLICATION ENTERED IN TRAM     | 001 |

#### CURRENT CORRESPONDENCE INFORMATION

|                         |                                                                                 |
|-------------------------|---------------------------------------------------------------------------------|
| ATTORNEY                | Keith W. Madansky                                                               |
| CORRESPONDENCE ADDRESS  | KEITH W. MEDANSKY<br>DLA PIPER US LLP<br>PO BOX 64807<br>CHICAGO, IL 60664-0807 |
| DOMESTIC REPRESENTATIVE | NONE                                                                            |



**Trademark Snap Shot Publication & Issue Review Stylesheet**  
 (Table presents the data on Publication & Issue Review Complete)
**OVERVIEW**

|               |                     |               |            |
|---------------|---------------------|---------------|------------|
| SERIAL NUMBER | 77055375            | FILING DATE   | 12/01/2006 |
| REG NUMBER    | 0000000             | REG DATE      | N/A        |
| REG-STER      | PRINCIPAL           | MARK TYPE     | TRADEMARK  |
| INTL REG #    | N/A                 | INTL REG DATE | N/A        |
| TM ATTORNEY   | FOSDICK, GEOFFREY A | LO ASSIGNED   | 111        |

**PUB INFORMATION**

|                      |                                       |
|----------------------|---------------------------------------|
| RUN DATE             | 06/29/2007                            |
| PUB DATE             | 07/24/2007                            |
| STATUS               | 661-PUBLICATION/ISSUE REVIEW COMPLETE |
| STATUS DATE          | 06/19/2007                            |
| LITERAL MARK ELEMENT |                                       |

|                |     |                    |     |
|----------------|-----|--------------------|-----|
| DATE ABANDONED | N/A | DATE CANCELLED     | N/A |
| SECTION 2F     | YES | SECTION 2F IN PART | NO  |
| SECTION 8      | NO  | SECTION 8 IN PART  | NO  |
| SECTION 15     | NO  | REPUB 12C          | N/A |
| RENEWAL FILED  | NO  | RENEWAL DATE       | N/A |
| DATE AMEND REG | N/A |                    |     |

**FILING BASIS**

| FILED BASIS |     | CURRENT BASIS |     | AMENDED BASIS |    |
|-------------|-----|---------------|-----|---------------|----|
| 1 (a)       | YES | 1 (a)         | YES | 1 (a)         | NO |
| 1 (b)       | NO  | 1 (b)         | NO  | 1 (b)         | NO |
| 44D         | NO  | 44D           | NO  | 44D           | NO |
| 44E         | NO  | 44E           | NO  | 44E           | NO |
| 66A         | NO  | 66A           | NO  |               |    |
| NO BASIS    | NO  | NO BASIS      | NO  |               |    |

**MARK DATA**

|                         |                                                                   |
|-------------------------|-------------------------------------------------------------------|
| STANDARD CHARACTER MARK | NO                                                                |
| LITERAL MARK ELEMENT    |                                                                   |
| MARK DRAWING CODE       | 2-AN ILLUSTRATION DRAWING WITHOUT ANY WORD(S)/LETTER(S)/NUMBER(S) |
| COLOR DRAWING FLAG      | NO                                                                |

#### CURRENT OWNER INFORMATION

|             |                                         |
|-------------|-----------------------------------------|
| PARTY TYPE  | 10-ORIGINAL APPLICANT                   |
| NAME        | Nike, Inc                               |
| ADDRESS     | One Bowman Drive<br>Beaverton, OR 97005 |
| ENTITY      | 03-CORPORATION                          |
| CITIZENSHIP | Oregon                                  |

#### GOODS AND SERVICES

|                     |          |
|---------------------|----------|
| INTERNATIONAL CLASS | 025      |
| DESCRIPTION TEXT    | Footwear |

#### GOODS AND SERVICES CLASSIFICATION

|                     |     |                |            |                            |            |              |          |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|
| INTERNATIONAL CLASS | 025 | FIRST USE DATE | 10/28/1982 | FIRST USE IN COMMERCE DATE | 10/28/1982 | CLASS STATUS | 8-ACTIVE |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|

#### MISCELLANEOUS INFORMATION/STATEMENTS

|                          |                                                |
|--------------------------|------------------------------------------------|
| CHANGE IN REGISTRATION   | NO                                             |
| COLORS CLAIMED STATEMENT | Color is not claimed as a feature of the mark. |
| DESCRIPTION OF MARK      | The mark consists of a shoe                    |

#### PROSECUTION HISTORY

| DATE       | ENT CD | ENT TYPE | DESCRIPTION                             | ENT NUM |
|------------|--------|----------|-----------------------------------------|---------|
| 06/19/2007 | PREV   | 0        | LAW OFFICE PUBLICATION REVIEW COMPLETED | 011     |
| 06/14/2007 | CNSA   | 0        | APPROVED FOR PUB - PRINCIPAL REGISTER   | 010     |
| 06/13/2007 | ACBC   | 1        | AMENDMENT FROM APPLICANT ENTERED        | 009     |
| 06/13/2007 | CRFA   | 1        | CORRESPONDENCE RECEIVED IN LAW OFFICE   | 008     |

|            |      |   |                                     |     |
|------------|------|---|-------------------------------------|-----|
| 06/13/2007 | ALIE | A | ASSIGNED TO L/E                     | 007 |
| 05/29/2007 | MAIL | I | PAPER RECEIVED                      | 006 |
| 03/07/2007 | GNPT | F | NON-FINAL ACTION E-MAILED           | 005 |
| 03/07/2007 | GNPT | R | NON-FINAL ACTION WRITTEN            | 004 |
| 03/01/2007 | DOCK | D | ASSIGNED TO EXAMINER                | 003 |
| 12/07/2006 | MDSC | D | NOTICE OF DESIGN SEARCH CODE MAILED | 002 |
| 12/06/2006 | NWAP | I | NEW APPLICATION ENTERED IN TRAM     | 001 |

#### CURRENT CORRESPONDENCE INFORMATION

|                         |                                                                                 |
|-------------------------|---------------------------------------------------------------------------------|
| ATTORNEY                | Keith W. Medansky                                                               |
| CORRESPONDENCE ADDRESS  | KEITH W. MEDANSKY<br>DLA PIPER US LLP<br>PO BOX 64807<br>CHICAGO, IL 60664-0807 |
| DOMESTIC REPRESENTATIVE | NONE                                                                            |



---

To: Nike, Inc. ([ch.tm@dlapiper.com](mailto:ch.tm@dlapiper.com))  
Subject: TRADEMARK APPLICATION NO. 77055375 - 247958-00000  
Sent: 7/19/2007 10:10:20 PM  
Sent As: ECOM111@USPTO.GOV  
Attachments:

---

**UNITED STATES PATENT AND TRADEMARK OFFICE**

SERIAL NO. 77055375

MARK:

**\*77055375\***

**CORRESPONDENT ADDRESS:**

KEITH W. MEDANSKY  
DLA PIPER US LLP  
PO BOX 64807  
CHICAGO, IL 60664-0807

**GENERAL TRADEMARK INFORMATION:**  
<http://www.uspto.gov/main/trademarks.htm>

**APPLICANT:** Nike, Inc.

**CORRESPONDENT'S REFERENCE/DOCKET**

**NO:**

247958-00000

**CORRESPONDENT E-MAIL ADDRESS:**

[ch.tm@dlapiper.com](mailto:ch.tm@dlapiper.com)

**EXAMINER'S AMENDMENT**

**ISSUE/MAILING DATE:** 7/19/2007

**AMENDMENT:** In accordance with the authorization granted by Keith Medansky on July 19, 2007, the application has been AMENDED as indicated below. Please advise the undersigned immediately if there is an objection to the amendment.

The following description has been entered into the application record.

The mark consists of the configuration of a shoe; the lines appearing on the surface of the shoe represent stitching, the placement of which is a non-functional feature of the mark.

/s/ Geoffrey Fosdick/  
Geoffrey Fosdick  
Trademark Attorney  
Trademark Office 111  
(571) 272-9161

**STATUS CHECK:** Check the status of the application at least once every six months from the initial filing date using the USPTO Trademark Applications and Registrations Retrieval (TARR) online system at <http://tarr.uspto.gov>. When conducting an online status check, print and maintain a copy of the complete TARR screen. If the status of your application has not changed for more than six months, please contact the assigned examining attorney.

---

To: Nike, Inc. ([chtm@dlapiper.com](mailto:chtm@dlapiper.com))  
Subject: TRADEMARK APPLICATION NO. 77055375 - 247958-00000  
Sent: 7/19/2007 10:10:21 PM  
Sent As: ECOM111@USPTO.GOV  
Attachments:

---

**IMPORTANT NOTICE**  
**USPTO OFFICE ACTION HAS ISSUED ON 7/19/2007 FOR**  
**APPLICATION SERIAL NO. 77055375**

Please follow the instructions below to continue the prosecution of your application.

**VIEW OFFICE ACTION:** Click on this link  
[http://portal.uspto.gov/external/portal/tow?DDA=Y&serial\\_number=77055375&doc\\_type=EXA&ma](http://portal.uspto.gov/external/portal/tow?DDA=Y&serial_number=77055375&doc_type=EXA&ma)  
(or copy and paste this URL into the address field of your browser), or visit  
<http://portal.uspto.gov/external/portal/tow> and enter the application serial number to access the  
Office action.

**PLEASE NOTE:** The Office action may not be immediately available but will be viewable within 24 hours of this notification.

**RESPONSE MAY BE REQUIRED:** You should carefully review the Office action to determine (1) if a response is required; (2) how to respond; and (3) the applicable response time period. Your response deadline will be calculated from 7/19/2007.

Do NOT hit "Reply" to this e-mail notification, or otherwise attempt to e-mail your response, as the USPTO does NOT accept e-mailed responses. Instead, the USPTO recommends that you respond online using the Trademark Electronic Application System response form at <http://www.uspto.gov/teas/eTEASpageD.htm>.

**HELP:** For technical assistance in accessing the Office action, please e-mail [TDR@uspto.gov](mailto:TDR@uspto.gov). Please contact the assigned examining attorney with questions about the Office action.

**WARNING**

1. The USPTO will NOT send a separate e-mail with the Office action attached.
2. Failure to file any required response by the applicable deadline will result in the ABANDONMENT of your application.



**Trademark Snap Shot Amendment & Mail Processing Stylesheet**

(Table presents the data on Amendment &amp; Mail Processing Complete)

**OVERVIEW**

|               |                     |               |            |
|---------------|---------------------|---------------|------------|
| SERIAL NUMBER | 77055375            | FILING DATE   | 12/01/2006 |
| REG NUMBER    | 0000000             | REG DATE      | N/A        |
| REGISTER      | PRINCIPAL           | MARK TYPE     | TRADEMARK  |
| INTL REG #    | N/A                 | INTL REG DATE | N/A        |
| TM ATTORNEY   | FOSDICK, GEOFFREY A | L.O. ASSIGNED | 111        |

**PUB INFORMATION**

|                      |                              |
|----------------------|------------------------------|
| RUN DATE             | 07/20/2007                   |
| PUB DATE             | N/A                          |
| STATUS               | 660-APPROVED FOR PUBLICATION |
| STATUS DATE          | 07/19/2007                   |
| LITERAL MARK ELEMENT |                              |

|                |     |                    |     |
|----------------|-----|--------------------|-----|
| DATE ABANDONED | N/A | DATE CANCELLED     | N/A |
| SECTION 2F     | YES | SECTION 2F IN PART | NO  |
| SECTION 8      | NO  | SECTION 8 IN PART  | NO  |
| SECTION 15     | NO  | REPUB 12C          | N/A |
| RENEWAL FILED  | NO  | RENEWAL DATE       | N/A |
| DATE AMEND REG | N/A |                    |     |

**FILING BASIS**

| FILED BASIS |     | CURRENT BASIS |     | AMENDED BASIS |    |
|-------------|-----|---------------|-----|---------------|----|
| 1 (a)       | YES | 1 (a)         | YES | 1 (a)         | NO |
| 1 (b)       | NO  | 1 (b)         | NO  | 1 (b)         | NO |
| 44D         | NO  | 44D           | NO  | 44D           | NO |
| 44E         | NO  | 44E           | NO  | 44E           | NO |
| 66A         | NO  | 66A           | NO  |               |    |
| NO BASIS    | NO  | NO BASIS      | NO  |               |    |

**MARK DATA**

|                         |                                                                   |
|-------------------------|-------------------------------------------------------------------|
| STANDARD CHARACTER MARK | NO                                                                |
| LITERAL MARK ELEMENT    |                                                                   |
| MARK DRAWING CODE       | 2-AN ILLUSTRATION DRAWING WITHOUT ANY WORD(S)/LETTER(S)/NUMBER(S) |
| COLOR DRAWING FLAG      | NO                                                                |

#### CURRENT OWNER INFORMATION

|             |                                           |
|-------------|-------------------------------------------|
| PARTY TYPE  | 10-ORIGINAL APPLICANT                     |
| NAME        | Nike, Inc                                 |
| ADDRESS     | One Bowerman Drive<br>Beaverton, OR 97005 |
| ENTITY      | C3-CORPORATION                            |
| CITIZENSHIP | Oregon                                    |

#### GOODS AND SERVICES

|                     |          |
|---------------------|----------|
| INTERNATIONAL CLASS | 025      |
| DESCRIPTION TEXT    | Footwear |

#### GOODS AND SERVICES CLASSIFICATION

| INTERNATIONAL CLASS | 025 | FIRST USE DATE | 10/28/1982 | FIRST USE IN COMMERCE DATE | 10/28/1982 | CLASS STATUS | 6-ACTIVE |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|

#### MISCELLANEOUS INFORMATION/STATEMENTS

|                          |                                                                                                                                                                                      |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CHANGE IN REGISTRATION   | NO                                                                                                                                                                                   |
| COLORS CLAIMED STATEMENT | Color is not claimed as a feature of the mark                                                                                                                                        |
| DESCRIPTION OF MARK      | The mark consists of the configuration of a shoe, the lines appearing on the surface of the shoe represent stitching, the placement of which is a non-functional feature of the mark |

#### PROSECUTION HISTORY

| DATE       | ENT CD | ENT TYPE | DESCRIPTION                                   | ENT NUM |
|------------|--------|----------|-----------------------------------------------|---------|
| 07/19/2007 | CNSA   | O        | APPROVED FOR PUB - PRINCIPAL REGISTER         | 018     |
| 07/19/2007 | XAEC   | I        | EXAMINER'S AMENDMENT ENTERED                  | 017     |
| 07/19/2007 | GNEN   | O        | NOTIFICATION OF EXAMINER'S AMENDMENT E-MAILED | 016     |

|            |      |   |                                         |     |
|------------|------|---|-----------------------------------------|-----|
| 07/19/2007 | GNEA | O | EXAMINERS AMENDMENT E-MAILED            | 015 |
| 07/19/2007 | CNEA | R | EXAMINERS AMENDMENT -WRITTEN            | 014 |
| 07/19/2007 | ZZZX | Z | PREVIOUS ALLOWANCE COUNT WITHDRAWN      | 013 |
| 07/02/2007 | PBCR | Z | WITHDRAWN FROM PUB - OG REVIEW QUERY    | 012 |
| 06/19/2007 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED | 011 |
| 06/14/2007 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER   | 010 |
| 06/13/2007 | ACEC | I | AMENDMENT FROM APPLICANT ENTERED        | 009 |
| 06/13/2007 | CRFA | I | CORRESPONDENCE RECEIVED IN LAW OFFICE   | 008 |
| 06/13/2007 | ALIE | A | ASSIGNED TO LIE                         | 007 |
| 05/29/2007 | MAIL | I | PAPER RECEIVED                          | 006 |
| 03/07/2007 | GNRT | F | NON-FINAL ACTION E-MAILED               | 005 |
| 03/07/2007 | CNRT | R | NON-FINAL ACTION WRITTEN                | 004 |
| 03/01/2007 | DOCK | D | ASSIGNED TO EXAMINER                    | 003 |
| 12/07/2006 | MDSC | O | NOTICE OF DESIGN SEARCH CODE MAILED     | 002 |
| 12/06/2006 | NWAP | I | NEW APPLICATION ENTERED IN TRAM         | 001 |

## CURRENT CORRESPONDENCE INFORMATION

|                         |                                                                                 |
|-------------------------|---------------------------------------------------------------------------------|
| ATTORNEY                | Keith W. Medansky                                                               |
| CORRESPONDENCE ADDRESS  | KEITH W. MEDANSKY<br>DLA PIPER US LLP<br>PO BOX 64807<br>CHICAGO, IL 60664-0807 |
| DOMESTIC REPRESENTATIVE | NONE                                                                            |



**Trademark Snap Shot Publication Stylesheet**  
(Table presents the data on Publication Approval)

**OVERVIEW**

|               |                     |               |            |
|---------------|---------------------|---------------|------------|
| SERIAL NUMBER | 77056375            | FILING DATE   | 12/01/2006 |
| REG NUMBER    | 0000000             | REG DATE      | N/A        |
| REG. STER     | PRINCIPAL           | MARK TYPE     | TRADEMARK  |
| INT'L REG #   | N/A                 | INTL REG DATE | N/A        |
| TM ATTORNEY   | FOSDICK, GEOFFREY A | L.O. ASSIGNED | 111        |

**PUB INFORMATION**

|                      |                                       |
|----------------------|---------------------------------------|
| RUN DATE             | 07/20/2007                            |
| PUB DATE             | N/A                                   |
| STATUS               | 681-PUBLICATION/ISSUE REVIEW COMPLETE |
| STATUS DATE          | 07/20/2007                            |
| LITERAL MARK ELEMENT |                                       |

|                |     |                    |     |
|----------------|-----|--------------------|-----|
| DATE ABANDONED | N/A | DATE CANCELLED     | N/A |
| SECTION 2F     | YES | SECTION 2F IN PART | NO  |
| SECTION 8      | NO  | SECTION 8 IN PART  | NO  |
| SECTION 15     | NO  | REPUB 12C          | N/A |
| RENEWAL FILED  | NO  | RENEWAL DATE       | N/A |
| DATE AMEND REG | N/A |                    |     |

**FILING BASIS**

| FILED BASIS |     | CURRENT BASIS |     | AMENDED BASIS |    |
|-------------|-----|---------------|-----|---------------|----|
| 1 (a)       | YES | 1 (a)         | YES | 1 (a)         | NO |
| 1 (b)       | NO  | 1 (b)         | NO  | 1 (b)         | NO |
| 44D         | NO  | 44D           | NO  | 44D           | NO |
| 44E         | NO  | 44E           | NO  | 44E           | NO |
| 66A         | NO  | 66A           | NO  |               |    |
| NO BASIS    | NO  | NO BASIS      | NO  |               |    |

**MARK DATA**

|                         |                                                                   |
|-------------------------|-------------------------------------------------------------------|
| STANDARD CHARACTER MARK | NO                                                                |
| LITERAL MARK ELEMENT    |                                                                   |
| MARK DRAWING CODE       | 2 AN ILLUSTRATION DRAWING WITHOUT ANY WORD(S)/LETTER(S)/NUMBER(S) |
| COLOR DRAWING FLAG      | NO                                                                |

**CURRENT OWNER INFORMATION**

|             |                                           |
|-------------|-------------------------------------------|
| PARTY TYPE  | 10 ORIGINAL APPLICANT                     |
| NAME        | Aiko, Inc.                                |
| ADDRESS     | One Bowermen Drive<br>Beaverton, OR 97005 |
| ENTITY      | 03 CORPORATION                            |
| CITIZENSHIP | Oregon                                    |

**GOODS AND SERVICES**

|                     |          |
|---------------------|----------|
| INTERNATIONAL CLASS | 025      |
| DESCRIPTION TEXT    | Footwear |

**GOODS AND SERVICES CLASSIFICATION**

|                     |     |                |            |                            |            |              |          |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|
| INTERNATIONAL CLASS | 025 | FIRST USE DATE | 10/25/1982 | FIRST USE IN COMMERCE DATE | 10/28/1982 | CLASS STATUS | 6 ACTIVE |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|

**MISCELLANEOUS INFORMATION/STATEMENTS**

|                          |                                                                                                                                                                                       |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CHANGE IN REGISTRATION   | NO                                                                                                                                                                                    |
| COLORS CLAIMED STATEMENT | Color is not claimed as a feature of the mark.                                                                                                                                        |
| DESCRIPTION OF MARK      | The mark consists of the configuration of a shoe, the lines appearing on the surface of the shoe represent stitching, the placement of which is a non-functional feature of the mark. |

**PROSECUTION HISTORY**

| DATE       | ENT CD | ENT TYPE | DESCRIPTION                             | ENT NUM |
|------------|--------|----------|-----------------------------------------|---------|
| 07/20/2007 | PREV   | 0        | LAW OFFICE PUBLICATION REVIEW COMPLETED | 019     |
| 07/19/2007 | CNSA   | 0        | APPROVED FOR PUB - PRINCIPAL REG. STER  | 018     |
| 07/19/2007 | XACC   | 1        | EXAMINER'S AMENDMENT ENTERED            | 017     |

|            |      |   |                                              |     |
|------------|------|---|----------------------------------------------|-----|
| 07/19/2007 | GNEN | O | NOTIFICATION OF EXAMINERS AMENDMENT E-MAILED | 015 |
| 07/19/2007 | GNFA | O | EXAMINERS AMENDMENT E-MAILED                 | 015 |
| 07/19/2007 | CNEA | R | EXAMINERS AMENDMENT - WRITTEN                | 014 |
| 07/19/2007 | ZZDX | Z | PREVIOUS ALLOWANCE COUNT WITHDRAWN           | 013 |
| 07/02/2007 | PBCR | Z | WITHDRAWN FROM PUB - OG REVIEW QUERY         | 012 |
| 06/19/2007 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED      | 011 |
| 06/14/2007 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER        | 010 |
| 06/13/2007 | ACEC | I | AMENDMENT FROM APPLICANT ENTERED             | 009 |
| 06/13/2007 | CRFA | I | CORRESPONDENCE RECEIVED IN LAW OFFICE        | 008 |
| 06/13/2007 | ALIE | A | ASSIGNED TO LIE                              | 007 |
| 05/29/2007 | MAIL | I | PAPER RECEIVED                               | 006 |
| 03/07/2007 | GART | F | NON-FINAL ACTION E-MAILED                    | 005 |
| 03/07/2007 | CHRT | R | NON-FINAL ACTION WRITTEN                     | 004 |
| 03/01/2007 | DOCK | D | ASSIGNED TO EXAMINER                         | 003 |
| 12/07/2006 | NDSC | O | NOTICE OF DESIGN SEARCH CODE MAILED          | 002 |
| 12/06/2006 | NWAP | I | NEW APPLICATION ENTERED IN TRAM              | 001 |

## CURRENT CORRESPONDENCE INFORMATION

|                         |                                                                                 |
|-------------------------|---------------------------------------------------------------------------------|
| ATTORNEY                | Keith W. Medansky                                                               |
| CORRESPONDENCE ADDRESS  | KEITH W. MEDANSKY<br>DLA PIPER US LLP<br>PO BOX 84807<br>CHICAGO, IL 60664-0807 |
| DOMESTIC REPRESENTATIVE | NONE                                                                            |



**Trademark Snap Shot Publication & Issue Review Stylesheet**  
 (Table presents the data on Publication & Issue Review Complete)
**OVERVIEW**

|               |                     |               |            |
|---------------|---------------------|---------------|------------|
| SERIAL NUMBER | 77055375            | FILING DATE   | 12/01/2006 |
| REG NUMBER    | 0600000             | REG DATE      | N/A        |
| REGISTER      | PRINCIPAL           | MARK TYPE     | TRADEMARK  |
| INTL REG #    | N/A                 | INTL REG DATE | N/A        |
| TM ATTORNEY   | FOSDICK, GEOFFREY A | L.O. ASSIGNED | 111        |

**PUB INFORMATION**

|                      |                                       |
|----------------------|---------------------------------------|
| RUN DATE             | 07/21/2007                            |
| PUB DATE             | N/A                                   |
| STATUS               | 681 PUBLICATION/ISSUE REVIEW COMPLETE |
| STATUS DATE          | 07/20/2007                            |
| LITERAL MARK ELEMENT |                                       |

|                |     |                    |     |
|----------------|-----|--------------------|-----|
| DATE ABANDONED | N/A | DATE CANCELLED     | N/A |
| SECTION 2F     | YES | SECTION 2F IN PART | NO  |
| SECTION 8      | NO  | SECTION 8 IN PART  | NO  |
| SECTION 15     | NO  | REPUB 12C          | N/A |
| RENEWAL FILED  | NO  | RENEWAL DATE       | N/A |
| DATE AMEND REG | N/A |                    |     |

**FILING BASIS**

| FILED BASIS |     | CURRENT BASIS |     | AMENDED BASIS |    |
|-------------|-----|---------------|-----|---------------|----|
| 1 (a)       | YES | 1 (a)         | YES | 1 (a)         | NO |
| 1 (b)       | NO  | 1 (b)         | NO  | 1 (b)         | NO |
| 44D         | NO  | 44D           | NO  | 44D           | NO |
| 44E         | NO  | 44E           | NO  | 44E           | NO |
| 66A         | NO  | 66A           | NO  |               |    |
| NO BASIS    | NO  | NO BASIS      | NO  |               |    |

**MARK DATA**

|                         |                                                                   |
|-------------------------|-------------------------------------------------------------------|
| STANDARD CHARACTER MARK | NO                                                                |
| LITERAL MARK ELEMENT    |                                                                   |
| MARK DRAWING CODE       | 2 AN ILLUSTRATION DRAWING WITHOUT ANY WORD(S)/LETTER(S)/NUMBER(S) |
| COLOR DRAWING FLAG      | NO                                                                |

#### CURRENT OWNER INFORMATION

|             |                                           |
|-------------|-------------------------------------------|
| PARTY TYPE  | 10-ORIGINAL APPLICANT                     |
| NAME        | Nike, Inc.                                |
| ADDRESS     | One Bowerman Drive<br>Beaverton, OR 97005 |
| ENTITY      | 03-CORPORATION                            |
| CITIZENSHIP | Oregon                                    |

#### GOODS AND SERVICES

|                     |          |
|---------------------|----------|
| INTERNATIONAL CLASS | 025      |
| DESCRIPTION TEXT    | Footwear |

#### GOODS AND SERVICES CLASSIFICATION

|                     |     |                |            |                            |            |              |          |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|
| INTERNATIONAL CLASS | 025 | FIRST USE DATE | 10/28/1982 | FIRST USE IN COMMERCE DATE | 10/28/1982 | CLASS STATUS | 0-ACTIVE |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|

#### MISCELLANEOUS INFORMATION/STATEMENTS

|                          |                                                                                                                                                                                       |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CHANGE IN REGISTRATION   | NO                                                                                                                                                                                    |
| COLORS CLAIMED STATEMENT | Color is not claimed as a feature of the mark.                                                                                                                                        |
| DESCRIPTION OF MARK      | The mark consists of the configuration of a shoe, the lines appearing on the surface of the shoe represent stitching, the placement of which is a non-functional feature of the mark. |

#### PROSECUTION HISTORY

| DATE       | ENT CD | ENT TYPE | DESCRIPTION                             | ENT NUM |
|------------|--------|----------|-----------------------------------------|---------|
| 07/20/2007 | PREV   | 0        | LAW OFFICE PUBLICATION REVIEW COMPLETED | 019     |
| 07/19/2007 | CNSA   | 0        | APPROVED FOR PUB - PRINCIPAL REGISTER   | 018     |
| 07/19/2007 | XAEC   | 1        | EXAMINER'S AMENDMENT ENTERED            | 017     |

|            |      |   |                                              |     |
|------------|------|---|----------------------------------------------|-----|
| 07/19/2007 | GNEN | O | NOTIFICATION OF EXAMINERS AMENDMENT E-MAILED | 016 |
| 07/19/2007 | GNEA | O | EXAMINERS AMENDMENT E-MAILED                 | 015 |
| 07/19/2007 | CNEA | R | EXAMINERS AMENDMENT - WRITTEN                | 014 |
| 07/19/2007 | ZZZX | Z | PREVIOUS ALLOWANCE COUNT WITHDRAWN           | 013 |
| 07/02/2007 | PBCR | Z | WITHDRAWN FROM PUB - OG REVIEW QUERY         | 012 |
| 06/19/2007 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED      | 011 |
| 06/14/2007 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER        | 010 |
| 06/13/2007 | ACEC | I | AMENDMENT FROM APPLICANT ENTERED             | 009 |
| 06/13/2007 | CRFA | I | CORRESPONDENCE RECEIVED IN LAW OFFICE        | 006 |
| 06/13/2007 | ALIE | A | ASSIGNED TO LIE                              | 007 |
| 05/29/2007 | MAIL | I | PAPER RECEIVED                               | 006 |
| 03/07/2007 | GNRT | F | NON-FINAL ACTION E-MAILED                    | 005 |
| 03/07/2007 | CNRT | R | NON-FINAL ACTION WRITTEN                     | 004 |
| 03/01/2007 | DOCK | O | ASSIGNED TO EXAMINER                         | 003 |
| 12/07/2006 | MDSC | O | NOTICE OF DESIGN SEARCH CODE MAILED          | 002 |
| 12/08/2006 | NWAP | I | NEW APPLICATION ENTERED IN TRAM              | 001 |

#### CURRENT CORRESPONDENCE INFORMATION

ATTORNEY

Keith W. Medansky

CORRESPONDENCE ADDRESS

KEITH W. MEDANSKY  
DLA PIPER US LLP  
PO BOX 64807  
CHICAGO, IL 60664-0807

DOMESTIC REPRESENTATIVE

NONE



**Trademark Snap Shot Publication & Issue Review Stylesheet**

(Table presents the data on Publication &amp; Issue Review Complete)

**OVERVIEW**

|               |                     |               |            |
|---------------|---------------------|---------------|------------|
| SERIAL NUMBER | 77055375            | FILING DATE   | 12/01/2006 |
| REG NUMBER    | 0000000             | REG DATE      | N/A        |
| REGISTER      | PRINCIPAL           | MARK TYPE     | TRADEMARK  |
| INTL REG #    | N/A                 | INTL REG DATE | N/A        |
| TM ATTORNEY   | FOSDICK, GEOFFREY A | L.O. ASSIGNED | 111        |

**PUB INFORMATION**

|                      |                                       |
|----------------------|---------------------------------------|
| RLN DATE             | 07/23/2007                            |
| PUB DATE             | 08/28/2007                            |
| STATUS               | 681-PUBLICATION/ISSUE REVIEW COMPLETE |
| STATUS DATE          | 07/20/2007                            |
| LITERAL MARK ELEMENT |                                       |

|                |     |                    |     |
|----------------|-----|--------------------|-----|
| DATE ABANDONED | N/A | DATE CANCELLED     | N/A |
| SECTION 2F     | YES | SECTION 2F IN PART | NO  |
| SECTION 8      | NO  | SECTION 8 IN PART  | NO  |
| SECTION 15     | NO  | REPUBLIC 12C       | N/A |
| RENEWAL FILED  | NO  | RENEWAL DATE       | N/A |
| DATE AMEND REG | N/A |                    |     |

**FILING BASIS**

| FILED BASIS |     | CURRENT BASIS |     | AMENDED BASIS |    |
|-------------|-----|---------------|-----|---------------|----|
| 1 (a)       | YES | 1 (a)         | YES | 1 (a)         | NO |
| 1 (b)       | NO  | 1 (b)         | NO  | 1 (b)         | NO |
| 44D         | NO  | 44D           | NO  | 44D           | NO |
| 44E         | NO  | 44E           | NO  | 44E           | NO |
| 66A         | NO  | 66A           | NO  |               |    |
| NO BASIS    | NO  | NO BASIS      | NO  |               |    |

**MARK DATA**

|                         |                                                                   |
|-------------------------|-------------------------------------------------------------------|
| STANDARD CHARACTER MARK | NO                                                                |
| LITERAL MARK ELEMENT    |                                                                   |
| MARK DRAWING CODE       | 2 AN ILLUSTRATION DRAWING WITHOUT ANY WORD(S)/LETTER(S)/NUMBER(S) |
| COLOR DRAWING FLAG      | NO                                                                |

#### CURRENT OWNER INFORMATION

|             |                                         |
|-------------|-----------------------------------------|
| PARTY TYPE  | 10-ORIGINAL APPLICANT                   |
| NAME        | Nike, Inc                               |
| ADDRESS     | One Bowman Drive<br>Beaverton, OR 97005 |
| ENTITY      | 03-CORPORATION                          |
| CITIZENSHIP | Oregon                                  |

#### GOODS AND SERVICES

|                     |          |
|---------------------|----------|
| INTERNATIONAL CLASS | 025      |
| DESCRIPTION TEXT    | Footwear |

#### GOODS AND SERVICES CLASSIFICATION

| INTERNATIONAL CLASS | FIRST USE DATE | FIRST USE IN COMMERCE DATE | CLASS STATUS | ACTIVE |
|---------------------|----------------|----------------------------|--------------|--------|
| 025                 | 10/28/1982     | 10/28/1982                 | 6            | ACTIVE |

#### MISCELLANEOUS INFORMATION/STATEMENTS

|                          |                                                                                                                                                                                       |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CHANGE IN REGISTRATION   | NO                                                                                                                                                                                    |
| COLORS CLAIMED STATEMENT | Color is not claimed as a feature of the mark.                                                                                                                                        |
| DESCRIPTION OF MARK      | The mark consists of the configuration of a shoe; the lines appearing on the surface of the shoe represent stitching; the placement of which is a non-functional feature of the mark. |

#### PROSECUTION HISTORY

| DATE       | ENT CD | ENT TYPE | DESCRIPTION                             | ENT NUM |
|------------|--------|----------|-----------------------------------------|---------|
| 07/20/2007 | PREV   | O        | LAW OFFICE PUBLICATION REVIEW COMPLETED | 019     |
| 07/19/2007 | CNSA   | O        | APPROVED FOR PUB - PRINCIPAL REGISTER   | 018     |
| 07/19/2007 | XAEC   | I        | EXAMINER'S AMENDMENT ENTERED            | 017     |

|            |      |   |                                              |     |
|------------|------|---|----------------------------------------------|-----|
| 07/19/2007 | GNEN | O | NOTIFICATION OF EXAMINERS AMENDMENT E-MAILED | 016 |
| 07/19/2007 | GNEA | O | EXAMINERS AMENDMENT E-MAILED                 | 015 |
| 07/19/2007 | CNEA | R | EXAMINERS AMENDMENT -WRITTEN                 | 014 |
| 07/19/2007 | ZZZX | Z | PREVIOUS ALLOWANCE COUNT WITHDRAWN           | 013 |
| 07/02/2007 | PBCR | Z | WITHDRAWN FROM PUB - OG REVIEW QUERY         | 012 |
| 06/19/2007 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED      | 011 |
| 06/14/2007 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER        | 010 |
| 06/13/2007 | ACEC | I | AMENDMENT FROM APPLICANT ENTERED             | 009 |
| 06/13/2007 | CRFA | I | CORRESPONDENCE RECEIVED IN LAW OFFICE        | 008 |
| 06/13/2007 | ALIE | A | ASSIGNED TO LIE                              | 007 |
| 05/29/2007 | MAIL | I | PAPER RECEIVED                               | 006 |
| 03/07/2007 | GNRT | F | NON-FINAL ACTION E-MAILED                    | 005 |
| 03/07/2007 | CNRT | R | NON-FINAL ACTION WRITTEN                     | 004 |
| 03/01/2007 | DOCK | D | ASSIGNED TO EXAMINER                         | 003 |
| 12/07/2006 | MOSC | O | NOTICE OF DESIGN SEARCH CODE MAILED          | 002 |
| 12/06/2006 | NWAP | I | NEW APPLICATION ENTERED IN TRAM              | 001 |

## CURRENT CORRESPONDENCE INFORMATION

|                         |                                                                                 |
|-------------------------|---------------------------------------------------------------------------------|
| ATTORNEY                | Keith W. Medansky                                                               |
| CORRESPONDENCE ADDRESS  | KEITH W. MEDANSKY<br>DLA PIPER US LLP<br>PO BOX 64807<br>CHICAGO, IL 60664-0807 |
| DOMESTIC REPRESENTATIVE | NONE                                                                            |



---

To: Nike, Inc. ([chtm@dlapiper.com](mailto:chtm@dlapiper.com))  
Subject: TRADEMARK APPLICATION NO. 77055375 - 247958-00000  
Sent: 8/31/2007 5:14:07 PM  
Sent As: ECOM111@USPTO.GOV  
Attachments:

---

UNITED STATES PATENT AND TRADEMARK OFFICE

SERIAL NO: 77055375

MARK:

**\*77055375\***

CORRESPONDENT ADDRESS:

KEITH W. MEDANSKY  
DLA PIPER US LLP  
PO BOX 64807  
CHICAGO, IL 60664-0807

RESPOND TO THIS ACTION:

<http://www.uspto.gov/teas/rTEASpage11.htm>

GENERAL TRADEMARK INFORMATION:

<http://www.uspto.gov/main/trademarks.htm>

APPLICANT: Nike, Inc.

CORRESPONDENT'S REFERENCE/DOCKET

NO:

247958-00000

CORRESPONDENT E-MAIL ADDRESS:

[chtm@dlapiper.com](mailto:chtm@dlapiper.com)

PRIORITY ACTION

TO AVOID ABANDONMENT, THE OFFICE MUST RECEIVE A PROPER RESPONSE TO THIS OFFICE ACTION WITHIN 6 MONTHS OF THE ISSUE/MAILING DATE.

The application will be given priority as an amended application if a response to the requirements stated below is received within two months of the issue/ mailing date.

ISSUE/MAILING DATE 8/31/2007

**OFFICE SEARCH** The examining attorney has searched the Office records and has found no similar registered or pending mark which would bar registration under Trademark Act Section 2(d), 15 U.S.C. Section 1052(d). TMEP section 704.02.

The following issues were discussed in communication with Keith Medansky on August 31, 2007:

**Description of Mark**

The applicant must submit a concise description of the mark. The following wording is suggested:

The mark consists of the design of the (specify, e.g., stitching, and positioning of material panels) on the exterior of a shoe. The broken lines show the position of the mark on the goods and are not claimed as a part of the mark.

**Drawing**

The applicant must depict the mark on the drawing using broken or dotted lines to show the mark's position on the goods or container. Applicant must show the mark itself using solid lines. 37 C.F.R. §2.52(h)(4), TMEP §807.08.

Accordingly, in the present case, the drawing must be corrected to display the shape of the shoe and any other items, e.g., ankle straps, that are not part of the mark as broken lines.

/Geoffrey Fosdick/  
Geoffrey Fosdick  
Trademark Attorney  
Trademark Office III  
(571) 272-9161

**RESPOND TO THIS ACTION:** If there are any questions about the Office action, please contact the assigned examining attorney. A response to this Office Action should be filed using the Office's Response to Office action form available at <http://www.uspto.gov/teas/eTEASpageD.htm>. If notification of this Office action was received via e-mail, no response using this form may be filed for 72 hours after receipt of the notification. Do not attempt to respond by e-mail as the USPTO does not accept e-mailed responses.

If responding by paper mail, please include the following information: the application serial number, the mark, the filing date and the name, title/position, telephone number and e-mail address of the person signing the response. Please use the following address: Commissioner for Trademarks, P.O. Box 1451, Alexandria, VA 22313-1451.

**STATUS CHECK:** Check the status of the application at least once every six months from the initial filing date using the USPTO Trademark Applications and Registrations Retrieval (TARR) online system at <http://tarr.uspto.gov>. When conducting an online status check, print and maintain a copy of the complete TARR screen. If the status of your application has not changed for more than six months, please contact the assigned examining attorney.

---

**To:** Nike, Inc. (chtm@dlapiper.com)  
**Subject:** TRADEMARK APPLICATION NO. 77055375 - 247958-00000  
**Sent:** 8/31/2007 5:14:09 PM  
**Sent As:** ECOM111@USPTO.GOV  
**Attachments:**

---

**IMPORTANT NOTICE**  
**USPTO OFFICE ACTION HAS ISSUED ON 8/31/2007 FOR**  
**APPLICATION SERIAL NO. 77055375**

Please follow the instructions below to continue the prosecution of your application:

**VIEW OFFICE ACTION:** Click on this link  
[http://portal.uspto.gov/external/portal/tow?DDA=Y&serial\\_number=77055375&doc\\_type=PAT&mail](http://portal.uspto.gov/external/portal/tow?DDA=Y&serial_number=77055375&doc_type=PAT&mail)  
(or copy and paste this URL into the address field of your browser), or visit  
<http://portal.uspto.gov/external/portal/tow> and enter the application serial number to access the  
Office action.

**PLEASE NOTE:** The Office action may not be immediately available but will be viewable within 24 hours of this notification.

**RESPONSE MAY BE REQUIRED:** You should carefully review the Office action to determine (1) if a response is required; (2) how to respond; and (3) the applicable response time period. Your response deadline will be calculated from 8/31/2007.

Do NOT hit "Reply" to this e-mail notification, or otherwise attempt to e-mail your response, as the USPTO does NOT accept e-mailed responses. Instead, the USPTO recommends that you respond online using the Trademark Electronic Application System response form at <http://www.uspto.gov/teas/eTEASpageD.htm>.

**HELP:** For technical assistance in accessing the Office action, please e-mail [TDR@uspto.gov](mailto:TDR@uspto.gov). Please contact the assigned examining attorney with questions about the Office action.

**WARNING**

1. The USPTO will NOT send a separate e-mail with the Office action attached.
2. Failure to file any required response by the applicable deadline will result in the **ABANDONMENT** of your application.

## Revocation of Attorney/Domestic Representative and/or Appointment of Attorney/Domestic Representative

The table below presents the data as entered.

| Input Field            | Entered                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SERIAL NUMBER          | 77055375                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| LAW OFFICE ASSIGNED    | LAW OFFICE 111                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| ATTORNEY DOCKET NUMBER | 007380 00002/ 3/ 4/ 5                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| MARK SECTION           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| MARK                   | Design only                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| ATTORNEY SECTION       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| ORIGINAL ADDRESS       | KEITH W. MEDANSKY<br>DLA PIPER US LLP<br>247958-XXXXX<br>PO BOX 64807<br>CHICAGO, IL 60664-0807<br>312.236.7516<br>312.368.4000<br>ch.1m@dlapiper.com                                                                                                                                                                                                                                                                                                                        |
| CORRESPONDENCE SECTION |                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| ORIGINAL ADDRESS       | KEITH W. MEDANSKY<br>DLA PIPER US LLP<br>247958-00000<br>PO BOX 64807<br>CHICAGO, IL 60664-0807<br>312.236.7516<br>312.368.4000<br>ch.1m@dlapiper.com<br><br>William F. Rauchholz, Dale H. Hoscheit, Joseph M. Totenza,<br>Robert F. Altherr, Ross A. Dannenberg, Anthony W. Kandare,<br>John M. Fleming, David R. Gerik, William W. Beckett, Jordan<br>N. Bodner, Steve S. Chang, Gary D. Fedoruchko, William J.<br>Fisher, Christopher R. Glembocki, Lisa M. Hemmendinger, |

NEW OTHER APPOINTED  
ATTORNEYS

Sarah A. Kagan, Robert S. Kutz, Christopher L. McKee, Nina L. Mullock, Frederic M. Mueker, Darrell G. Mottley, Wayne H. Porter, Christopher B. Roth, Joseph M. Skerpon, Benjamin C. Spehlmann, Susan A. Wolffe, Bradley C. Wright, Paul M. Rivard, Joseph J. Berghammer, Marc S. Cooperman, J. Pieter van Es, Jon O. Nelson, Christopher J. Renk, Binal J. Patel, Charles W. Shifley, Richard Stockton, William Allen, Matthew P. Becker, Scott A. Burrow, Justin Busch, James V. Callahan, Jeffrey M. Cox, Ted Field, Shawn Gorman, Michael Harris, Wendell W. Harris, Allen E. Hoover, Linda, Kuczma, Erik S. Maurer, Shaoni Mitchell, Charles L. Miller, Janice V. Mitrus, Paul Nykaza, Phoebe Phillips, Thomas K. Pratt, Brad Rademaker, Robert H. Resis, Rebecca P. Rokos, Greg Schlentz, Steve Sheldon, Jason Shull, Julie Ackerman, William J. Klein, Timothy C. Meece, Christopher J. Renk, Pieter Van Es, Sheldon W. Witcoff, Gregory J. Cohan, John P. Iwanicki, Ernest V. Linek, Peter D. McDermott, Dale A. Malone

## NEW ATTORNEY ADDRESS

|                                               |                                                                                                                                                                   |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| STATEMENT TEXT                                | By submission of this request, the undersigned REVOKES the power of attorney currently of record, as listed above, and hereby APPOINTS the following new attorney |
| NAME                                          | Helen Hill Minsker                                                                                                                                                |
| FIRM NAME                                     | Banner & Witcoff, Ltd.                                                                                                                                            |
| STREET                                        | Ten South Wacker Drive, Suite 3000                                                                                                                                |
| CITY                                          | Chicago                                                                                                                                                           |
| STATE                                         | Illinois                                                                                                                                                          |
| COUNTRY                                       | United States                                                                                                                                                     |
| POSTAL/ZIP CODE                               | 60606-7407                                                                                                                                                        |
| PHONE                                         | 312-463-5000                                                                                                                                                      |
| FAX                                           | 312-463-5001                                                                                                                                                      |
| EMAIL                                         | BWPTUTM@bannerwitcoff.com                                                                                                                                         |
| ATTORNEY AUTHORIZED TO COMMUNICATE VIA E-MAIL | YES                                                                                                                                                               |
| ATTORNEY DOCKET NUMBER                        | 007380.00002/ 3/ 4/ 5                                                                                                                                             |

## NEW CORRESPONDENCE ADDRESS

|      |                    |
|------|--------------------|
| NAME | Helen Hill Minsker |
|------|--------------------|

FIRM NAME Banner & Witcoff, Ltd  
STREET Ten South Wacker Drive, Suite 3000  
CITY Chicago  
STATE Illinois  
COUNTRY United States  
POSTAL/ZIP CODE 60606-7407  
PHONE 312 463-5000  
FAX 312-463-5001  
EMAIL BWPTOTM@bannerwitcoff.com  
AUTHORIZED TO  
COMMUNICATE VIA E-  
MAIL YES

**SIGNATURE SECTION**

SIGNATORY FILE \\TICRS2\EXPORT\15\770553\77055375\unl\WRAA00012 J1\1  
SIGNATORY NAME Julianne Davis  
SIGNATORY POSITION Assistant General Counsel/Patents

**FILING INFORMATION SECTION**

SUBMIT DATE Tue Feb 12 11:40:13 EST 2008  
TEAS STAMP USPTO/RAA-208.97.242.130-  
20080212114013310343-7705  
5375-400722a13391360ba24d  
b2826e862215e-N/A-N/A-200  
80212112324417873

**Revocation of Attorney/Domestic Representative and/or  
Appointment of Attorney/Domestic Representative**

To the Commissioner for Trademarks:

MARK Design only  
SERIAL NUMBER: 77055375  
ATTORNEY DOCKET NUMBER 007380.00002/3/4/5

**The original attorney**  
KEITH W. MEDANSKY  
DLA PIPER US LLP  
247958-(XXXX)  
PO BOX 64807  
CHICAGO, IL 60664-0807  
312.236.7516  
312.368.4000  
chtm@dlapiper.com

**Original Correspondence Address :**  
KEITH W. MEDANSKY  
DLA PIPER US LLP  
PO BOX 64807  
CHICAGO, IL 60664-0807  
312.236.7516  
312.368.4000  
chtm@dlapiper.com

By submission of this request, the undersigned REVOKES the power of attorney currently of record, as listed above, and hereby APPOINTS the following new attorney. In addition, any additional previously-appointed attorneys that are currently listed in the application are replaced with the new "Other Appointed Attorneys" listed below.

**Newly Appointed Attorney:**  
Helen Hill Minsker  
Banner & Witcoff, Ltd.  
Ten South Wacker Drive, Suite 3000  
Chicago, Illinois 60606-7407  
United States  
312-463-5000  
312-463-5001

**Other Appointed Attorneys:**

William F. Rauchholz, Dale H. Hoschett, Joseph M. Potenza, Robert F. Altherr, Russ A. Dannenberg, Anthony W. Kandare, John M. Fleming, David R. Gerk, William W. Beckett, Jordan N. Bodner, Steve S. Chung, Gary D. Fedoruchko, William J. Fisher, Christopher R. Glembocki, Lisa M. Hemmendinger, Sarah A. Kagan, Robert S. Katz, Christopher L. McKee, Nina L. Mudlock, Frederic M. Meeker, Darrell G. Motley, Wayne H. Porter, Christopher B. Roth, Joseph M. Skerpon, Benjamin C. Spehlmann, Susan A. Wolffe, Bradley C. Wright, Paul M. Rivard, Joseph J. Berghammer, Marc S. Cooperman, J. Pieter van Es, Jon C. Nelson, Christopher J. Renk, Binal J. Patel, Charles W. Shifley, Richard Stockton, William Allen.

Matthew P. Becker, Scott A. Burow, Justin Busch, James V. Callahan, Jeffrey M. Cox, Ted Field, Shawn Gorman, Michael Harris, Wendell W. Harris, Allen E. Hoover, Linda, Kuczma, Erik S. Maurer, Shaoni Mitchell, Charles L. Miller, Janice V. Mirius, Paul Nykaza, Phoebe Phillips, Thomas K. Pratt, Brad Rademaker, Robert H. Resis, Rebecca P. Rokos, Greg Schlentz, Steve Sheldon, Jason Shull, Julie Ackerman, William J. Klein, Timothy C. Moore, Christopher J. Renk, Pieter Van La, Sheldon W. Witcoff, Gregory J. Cohan, John P. Iwanicki, Ernest V. Linek, Peter D. McDermott, Dale A. Malone.

**The following is to be used as the correspondence address:**

Jfelen Hill Minsker  
Banner & Witcoff, Ltd.  
Ten South Wacker Drive, Suite 3000  
Chicago, Illinois 60606-7407  
United States

312-463-5000  
312-463-5001  
BWPTOTM@bannerwitcoff.com

Signatory File Signature

Signatory's Name: Julianne Davis

Signatory's Position: Assistant General Counsel/Patents

Serial Number: 77055375

Internet Transmission Date: Tue Feb 12 11:40:13 EST 2008

TEAS Stamp: USPTO/RAA-208 97.242.130-200802121140133

10343-77055375-400722a13391360ba24dh2826

c8622f5e-N/A-N/A-20080212112324417873

**Revocation of Attorney/Domestic Representative and/or Appointment of  
Attorney/Domestic Representative**

**Handwritten Signature**

Signature Section:  
Signature: Julianne Davis  
Date: February 11, 2008  
Signatory's Name: Julianne Davis  
Signatory's Position: First General Counsel / Patents

**NOTE TO APPLICANT:** When filed as part of the electronic form (i.e., scanned and attached as an image file), include only the signature page (no declaration is required, nor should any other information from the actual revocation be included).

Go Back

## Response to Office Action

The table below presents the data as entered.

| Input Field                                                    | Entered                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SERIAL NUMBER                                                  | 77055375                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| LAW OFFICE ASSIGNED                                            | LAW OFFICE 111                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| MARK SECTION (current)                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| STANDARD CHARACTERS                                            | NO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| USPTO-GENERATED IMAGE                                          | NO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| COLOR(S) CLAIMED<br>(If applicable)                            | Color is not claimed as a feature of the mark.                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| DESCRIPTION OF THE MARK<br>(and Color Location, if applicable) | The mark consists of the configuration of a shoe, the lines appearing on the surface of the shoe represent stitching, the placement of which is a non-functional feature of the mark.                                                                                                                                                                                                                                                                                                       |
| MARK SECTION (proposed)                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| MARK FILE NAME                                                 | <u>WTICRS:EXPORT15\770553</u><br><u>77055375.xml2\RC1A(00)2 JP G</u>                                                                                                                                                                                                                                                                                                                                                                                                                        |
| STANDARD CHARACTERS                                            | NO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| USPTO-GENERATED IMAGE                                          | NO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| COLOR MARK                                                     | YES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| COLOR(S) CLAIMED<br>(If applicable)                            | The color(s) Color is not claimed as a feature of the mark.<br>is/are claimed as a feature of the mark.                                                                                                                                                                                                                                                                                                                                                                                     |
| DESCRIPTION OF THE MARK<br>(and Color Location, if applicable) | The mark consists of the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other. The broken lines show the position of the mark and are not claimed as part of the mark. |
| PIXEL COUNT ACCEPTABLE                                         | YES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| PIXEL COUNT                                                    | 940 x 507                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

#### ARGUMENT(S)

This response is submitted in reply to the office action dated August 31, 2007. The office action raises 2 issues: the requirement for a new drawing of the mark and the requirement for a revised description of the mark.

Applicant is submitting herewith a revised drawing of the mark that includes broken lines to show the position of the mark on the goods, and solid lines to depict the mark that is the subject of this application.

Additionally, Applicant is submitting herewith a revised description of the mark that follows the format suggested by the Examining Attorney in the office action. The revised description is as follows:

The mark consists of the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other. The broken lines show the position of the mark and are not claimed as part of the mark.

With this response, it is believed that the application is now in condition for publication. Such action is respectfully requested.

#### SIGNATURE SECTION

|                      |                      |
|----------------------|----------------------|
| RESPONSE SIGNATURE   | /helen hill minsker/ |
| SIGNATORY'S NAME     | Helen Hill Minsker   |
| SIGNATORY'S POSITION | Attorney of Record   |
| DATE SIGNED          | 02/26/2008           |
| AUTHORIZED SIGNATORY | YES                  |

#### FILING INFORMATION SECTION

|             |                                                                                                                                      |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------|
| SUBMIT DATE | Tue Feb 26 19:44:48 EST 2008                                                                                                         |
| TEAS STAMP  | USPTO/ROA-208.97.242.130-<br>20080226194448601426-7705<br>5375-420ca3935baf383d55b<br>5f061hc96b0f9-N/A-N/A-20<br>080226192838660533 |

### **Response to Office Action**

#### **To the Commissioner for Trademarks:**

Application serial no. 77055375 has been amended as follows:

#### **MARK**

**Applicant proposes to amend the mark as follows:**

**Current:** (Stylized and/or with Design)

Color is not claimed as a feature of the mark.

The mark consists of the configuration of a shoe, the lines appearing on the surface of the shoe represent stitching, the placement of which is a non-functional feature of the mark.

**Proposed:** (Stylized and/or with Design, see mark)

The color(s) Color is not claimed as a feature of the mark. is/are claimed as a feature of the mark. The mark consists of the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other. The broken lines show the position of the mark and are not claimed as part of the mark.

#### **ARGUMENT(S)**

**In response to the substantive refusal(s), please note the following:**

This response is submitted in reply to the office action dated August 31, 2007. The office action raises 2 issues: the requirement for a new drawing of the mark and the requirement for a revised description of the mark.

Applicant is submitting herewith a revised drawing of the mark that includes broken lines to show the position of the mark on the goods, and solid lines to depict the mark that is the subject of this application.

Additionally, Applicant is submitting herewith a revised description of the mark that follows the format suggested by the Examining Attorney in the office action. The revised description is as follows:

The mark consists of the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other. The broken lines show the position of the mark and are not claimed as part of the mark.

With this response, it is believed that the application is now in condition for publication. Such action is respectfully requested.

**SIGNATURE(S)**

**Response Signature**

Signature: /helen hill minkser/ Date: 02/26/2008

Signatory's Name: Helen Hill Minkser

Signatory's Position: Attorney at Record

The signatory has confirmed that he/she is an attorney who is a member in good standing of the bar of the highest court of a U.S. state, which includes the District of Columbia, Puerto Rico, and other federal territories and possessions; and he/she is currently the applicant's attorney or an associate thereof; and to the best of his/her knowledge, if prior to his/her appointment another U.S. attorney or a Canadian attorney/agent not currently associated with his/her company/firm previously represented the applicant in this matter: (1) the applicant has filed or is concurrently filing a signed revocation of or substitute power of attorney with the USPTO; (2) the USPTO has granted the request of the prior representative to withdraw; (3) the applicant has filed a power of attorney appointing him/her in this matter; or (4) the applicant's appointed U.S. attorney or Canadian attorney/agent has filed a power of attorney appointing him/her as an associate attorney in this matter.

Serial Number: 77055375

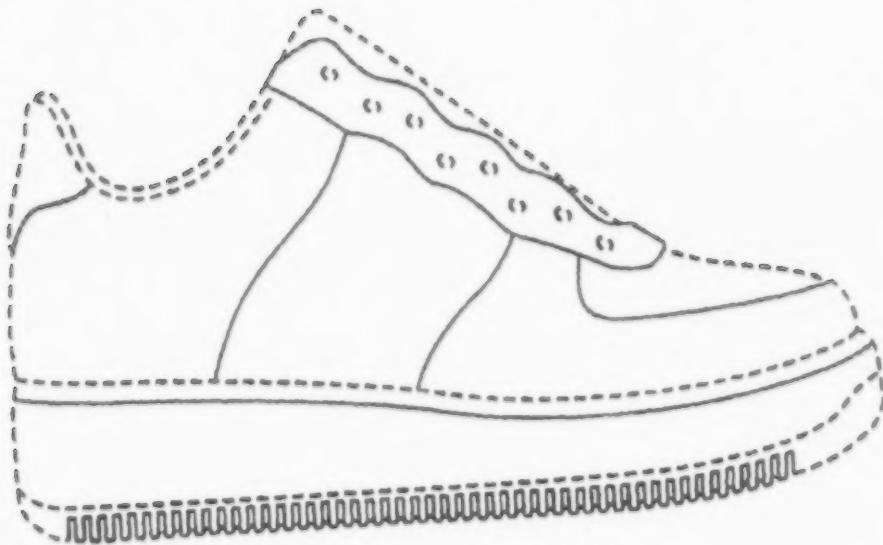
Internet Transmission Date: Tue Feb 26 19:44:48 EST 2008

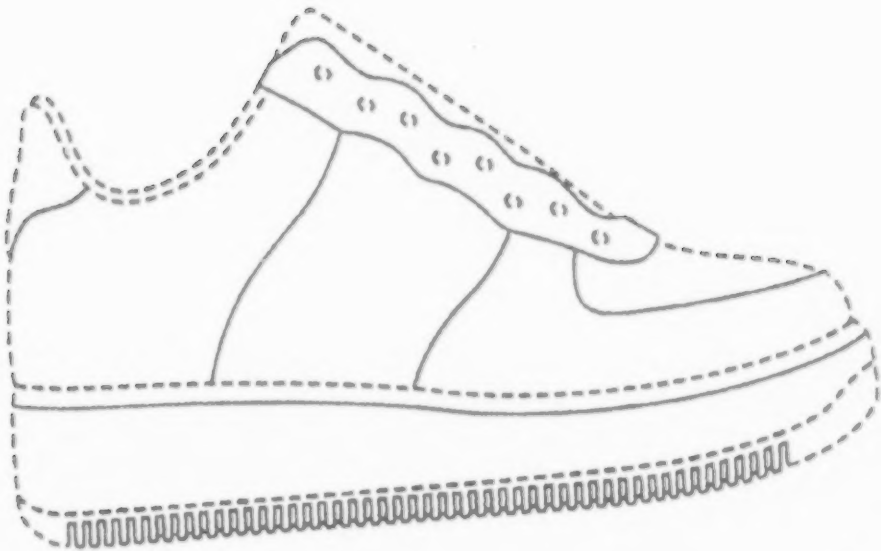
TEAS Stamp: USPTO/RCA-208.97.242.130-200802261944486

01426-77055375-420ca3935hufe183d55b50061

hc96b0ff9-N/A-N/A-20080226192838660533







**Trademark Snap Shot Amendment & Mail Processing Stylesheet**  
 (Table presents the data on Amendment & Mail Processing Complete)

**OVERVIEW**

|               |                     |               |            |
|---------------|---------------------|---------------|------------|
| SERIAL NUMBER | 77055375            | FILING DATE   | 12/01/2006 |
| REG NUMBER    | 0000000             | REG DATE      | N/A        |
| REGISTER      | PRINCIPAL           | MARK TYPE     | TRADEMARK  |
| INTL REG #    | N/A                 | INTL REG DATE | N/A        |
| TM ATTORNEY   | FOSDICK, GEOFFREY A | L.O. ASSIGNED | 111        |

**PUB INFORMATION**

|                      |                                             |
|----------------------|---------------------------------------------|
| RUN DATE             | 02/28/2008                                  |
| PUB DATE             | N/A                                         |
| STATUS               | 661-RESPONSE AFTER NON FINAL-ACTION ENTERED |
| STATUS DATE          | 02/27/2008                                  |
| LITERAL MARK ELEMENT |                                             |

|                |     |                    |     |
|----------------|-----|--------------------|-----|
| DATE ABANDONED | N/A | DATE CANCELLED     | N/A |
| SECTION 2F     | YES | SECTION 2F IN PART | NO  |
| SECTION 8      | NO  | SECTION 8 IN PART  | NO  |
| SECTION 15     | NO  | REPUB 12C          | N/A |
| RENEWAL FILED  | NO  | RENEWAL DATE       | N/A |
| DATE AMEND REG | N/A |                    |     |

**FILING BASIS**

| FILED BASIS |     | CURRENT BASIS |     | AMENDED BASIS |    |
|-------------|-----|---------------|-----|---------------|----|
| 1 (a)       | YES | 1 (a)         | YES | 1 (a)         | NO |
| 1 (b)       | NO  | 1 (b)         | NO  | 1 (b)         | NO |
| 44(D)       | NO  | 44(D)         | NO  | 44(D)         | NO |
| 44E         | NO  | 44E           | NO  | 44E           | NO |
| 66A         | NO  | 66A           | NO  |               |    |
| NO BASIS    | NO  | NO BASIS      | NO  |               |    |

**MARK DATA**

|                         |                                                                   |
|-------------------------|-------------------------------------------------------------------|
| STANDARD CHARACTER MARK | NO                                                                |
| LITERAL MARK ELEMENT    |                                                                   |
| MARK DRAWING CODE       | 2-AN ILLUSTRATION DRAWING WITHOUT ANY WORD(S)/LETTER(S)/NUMBER(S) |
| COLOR DRAWING FLAG      | NO                                                                |

## CURRENT OWNER INFORMATION

|             |                                            |
|-------------|--------------------------------------------|
| PARTY TYPE  | 10-ORIGINAL APPLICANT                      |
| NAME        | Nike, inc.                                 |
| ADDRESS     | One Bowlerman Drive<br>Beaverton, OR 97005 |
| ENTITY      | 03 CORPORATION                             |
| CITIZENSHIP | Oregon                                     |

## GOODS AND SERVICES

|                     |          |
|---------------------|----------|
| INTERNATIONAL CLASS | 025      |
| DESCRIPTION TEXT    | Footwear |

## GOODS AND SERVICES CLASSIFICATION

|                     |     |                |            |                            |            |              |          |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|
| INTERNATIONAL CLASS | 025 | FIRST USE DATE | 10/28/1982 | FIRST USE IN COMMERCE DATE | 10/28/1982 | CLASS STATUS | 6 ACTIVE |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|

## MISCELLANEOUS INFORMATION/STATEMENTS

|                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CHANGE IN REGISTRATION   | NO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| COLORS CLAIMED STATEMENT | The color(s) Color is not claimed as a feature of the mark is/are claimed as a feature of the mark.                                                                                                                                                                                                                                                                                                                                                                                         |
| DESCRIPTION OF MARK      | The mark consists of the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other. The broken lines show the position of the mark and are not claimed as part of the mark. |

## PROSECUTION HISTORY

|      |        |          |             |         |
|------|--------|----------|-------------|---------|
| DATE | ENT CD | ENT TYPE | DESCRIPTION | ENT NUM |
|------|--------|----------|-------------|---------|

|            |      |   |                                              |     |
|------------|------|---|----------------------------------------------|-----|
| 02/21/2008 | TEME | I | TEAS/EMAIL CORRESPONDENCE ENTERED            | 030 |
| 02/26/2008 | CRFA | I | CORRESPONDENCE RECEIVED IN LAW OFFICE        | 029 |
| 02/26/2008 | TROA | I | TEAS RESPONSE TO OFFICE ACTION RECEIVED      | 028 |
| 02/12/2008 | ARAA | I | ATTORNEY REVOKED AND/OR APPOINTED            | 027 |
| 02/12/2008 | REAP | I | TEAS REVOKE/APPOINT ATTORNEY RECEIVED        | 026 |
| 08/31/2007 | GPRN | O | NOTIFICATION OF PRIORITY ACTION E-MAILED     | 025 |
| 08/31/2007 | GPRA | O | PRIORITY ACTION E-MAILED                     | 024 |
| 08/31/2007 | CPRA | R | PRIORITY ACTION WRITTEN                      | 023 |
| 08/31/2007 | ZZZX | Z | PREVIOUS ALLOWANCE COUNT WITHDRAWN           | 022 |
| 08/07/2007 | PBCR | Z | WITHDRAWN FROM PUB - OG REVIEW QUERY         | 021 |
| 05/29/2007 | MAIL | I | PAPER RECEIVED                               | 020 |
| 07/20/2007 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED      | 019 |
| 07/19/2007 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER        | 018 |
| 07/19/2007 | XAEC | I | EXAMINERS AMENDMENT ENTERED                  | 017 |
| 07/19/2007 | GNEN | O | NOTIFICATION OF EXAMINERS AMENDMENT E-MAILED | 016 |
| 07/19/2007 | ONEA | O | EXAMINERS AMENDMENT E-MAILED                 | 015 |
| 07/19/2007 | CNEA | R | EXAMINERS AMENDMENT WRITTEN                  | 014 |
| 07/19/2007 | ZZZX | Z | PREVIOUS ALLOWANCE COUNT WITHDRAWN           | 013 |
| 07/02/2007 | PBCR | Z | WITHDRAWN FROM PUB - OG REVIEW QUERY         | 012 |
| 06/19/2007 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED      | 011 |
| 06/14/2007 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER        | 010 |
| 06/13/2007 | ACEC | I | AMENDMENT FROM APPLICANT ENTERED             | 009 |
| 06/13/2007 | CRFA | I | CORRESPONDENCE RECEIVED IN LAW OFFICE        | 008 |
| 06/13/2007 | ALIE | A | ASSIGNED TO LIE                              | 007 |
| 05/29/2007 | MAIL | I | PAPER RECEIVED                               | 006 |
| 03/07/2007 | GNRT | F | NON-FINAL ACTION E-MAILED                    | 005 |
| 03/07/2007 | CNRT | R | NON-FINAL ACTION WRITTEN                     | 004 |
| 03/01/2007 | DOCK | D | ASSIGNED TO EXAMINER                         | 003 |
| 12/07/2006 | MDSC | O | NOTICE OF DESIGN SEARCH CODE MAILED          | 002 |
| 12/06/2006 | NWAP | I | NEW APPLICATION ENTERED IN TRAM              | 001 |

## CURRENT CORRESPONDENCE INFORMATION

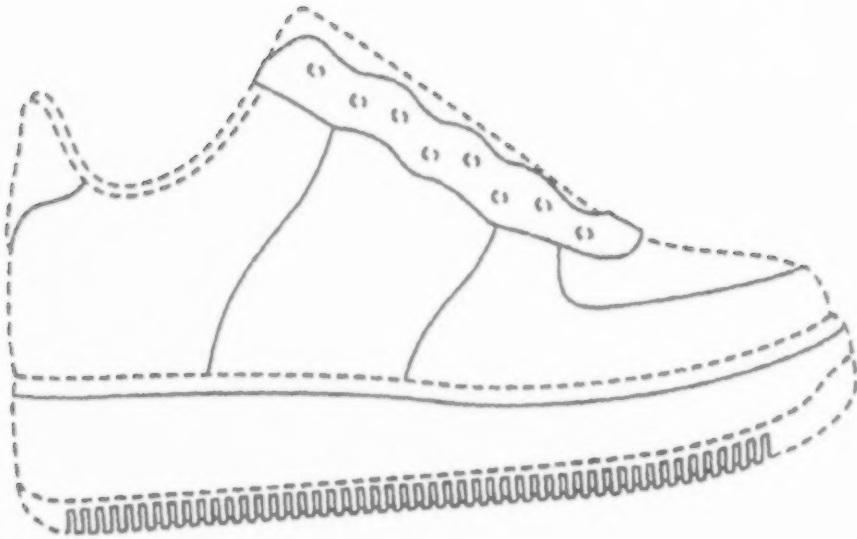
ATTORNEY

Helen Hill Minsker

CORRESPONDENCE ADDRESS

Helen Hill Minsker  
Banner & Wilcoff, Ltd

|                         |                                                                     |
|-------------------------|---------------------------------------------------------------------|
| DOMESTIC REPRESENTATIVE | Ten South Wacker Drive, Suite 3000<br>Chicago IL 60606-7407<br>NONE |
|-------------------------|---------------------------------------------------------------------|



**Trademark Snap Shot Publication Stylesheet**  
 (Table presents the data on Publication Approval)
**OVERVIEW**

|               |                     |               |            |
|---------------|---------------------|---------------|------------|
| SERIAL NUMBER | 77055375            | FILING DATE   | 12/01/2006 |
| REG NUMBER    | 0000000             | REG DATE      | N/A        |
| REGISTER      | PRINCIPAL           | MARK TYPE     | TRADEMARK  |
| INTL REG #    | N/A                 | INTL REG DATE | N/A        |
| TM ATTORNEY   | FOSDICK, GEOFFREY A | L.O. ASSIGNED | 111        |

**PUB INFORMATION**

|             |                                       |
|-------------|---------------------------------------|
| RUN DATE    | 03/06/2008                            |
| PUB DATE    | 04/06/2008                            |
| STATUS      | 681-PUBLICATION/ISSUE REVIEW COMPLETE |
| STATUS DATE | 03/05/2008                            |

**LITERAL MARK ELEMENT**

|                |     |                    |     |
|----------------|-----|--------------------|-----|
| DATE ABANDONED | N/A | DATE CANCELLED     | N/A |
| SECTION 2F     | YES | SECTION 2F IN PART | NO  |
| SECTION 8      | NO  | SECTION 8 IN PART  | NO  |
| SECTION 15     | NO  | REPUBLIC 12C       | N/A |
| RENEWAL FILED  | NO  | RENEWAL DATE       | N/A |
| DATE AMEND REG | N/A |                    |     |

**FILING BASIS**

| FILED BASIS |     | CURRENT BASIS |     | AMENDED BASIS |    |
|-------------|-----|---------------|-----|---------------|----|
| 1 (a)       | YES | 1 (a)         | YES | 1 (a)         | NO |
| 1 (b)       | NO  | 1 (b)         | NO  | 1 (b)         | NO |
| 44D         | NO  | 44D           | NO  | 44D           | NO |
| 44E         | NO  | 44E           | NO  | 44E           | NO |
| 66A         | NO  | 66A           | NO  |               |    |
| NO BASIS    | NO  | NO BASIS      | NO  |               |    |

**MARK DATA**

|                         |                                                                   |
|-------------------------|-------------------------------------------------------------------|
| STANDARD CHARACTER MARK | NO                                                                |
| LITERAL MARK ELEMENT    |                                                                   |
| MARK DRAWING CODE       | 2 AN ILLUSTRATION DRAWING WITHOUT ANY WORD(S)/LETTER(S)/NUMBER(S) |
| COLOR DRAWING FLAG      | NO                                                                |

**CURRENT OWNER INFORMATION**

|             |                                         |
|-------------|-----------------------------------------|
| PARTY TYPE  | 10-ORIGINAL APPLICANT                   |
| NAME        | Nike, Inc.                              |
| ADDRESS     | One Bowman Drive<br>Beaverton, OR 97005 |
| ENTITY      | 03-CORPORATION                          |
| CITIZENSHIP | Oregon                                  |

**GOODS AND SERVICES**

|                     |          |
|---------------------|----------|
| INTERNATIONAL CLASS | 025      |
| DESCRIPTION TEXT    | Footwear |

**GOODS AND SERVICES CLASSIFICATION**

|                     |     |                |            |                            |            |              |          |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|
| INTERNATIONAL CLASS | 025 | FIRST USE DATE | 10/28/1982 | FIRST USE IN COMMERCE DATE | 10/29/1982 | CLASS STATUS | 6-ACTIVE |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|

**MISCELLANEOUS INFORMATION/STATEMENTS**

|                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CHANGE IN REGISTRATION   | NO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| COLORS CLAIMED STATEMENT | Color is not claimed as a feature of the mark.                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| DESCRIPTION OF MARK      | The mark consists of the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other. The broken lines show the position of the mark and are not claimed as part of the mark. |

**PROSECUTION HISTORY**

| DATE | ENT CD | ENT TYPE | DESCRIPTION | ENT NUM |
|------|--------|----------|-------------|---------|
|------|--------|----------|-------------|---------|

|            |      |   |                                               |     |
|------------|------|---|-----------------------------------------------|-----|
| 03/05/2008 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED       | 032 |
| 03/04/2008 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER         | 031 |
| 02/27/2008 | TEME | I | TEAS/EMAIL CORRESPONDENCE ENTERED             | 030 |
| 02/26/2008 | CRFA | I | CORRESPONDENCE RECEIVED IN LAW OFFICE         | 029 |
| 02/26/2008 | TROA | I | TEAS RESPONSE TO OFFICE ACTION RECEIVED       | 028 |
| 02/12/2008 | ARAA | I | ATTORNEY REVOKED AND/OR APPOINTED             | 027 |
| 02/12/2008 | REAP | I | TEAS REVOKE/APPOINT ATTORNEY RECEIVED         | 026 |
| 08/31/2007 | GPRN | O | NOTIFICATION OF PRIORITY ACTION E-MAILED      | 025 |
| 08/31/2007 | GPRA | O | PRIORITY ACTION E-MAILED                      | 024 |
| 08/31/2007 | CPRA | R | PRIORITY ACTION WRITTEN                       | 023 |
| 08/31/2007 | ZZZX | Z | PREVIOUS ALLOWANCE COUNT WITHDRAWN            | 022 |
| 08/07/2007 | PBCR | Z | WITHDRAWN FROM PUB - OG REVIEW QUERY          | 021 |
| 05/29/2007 | MAIL | I | PAPER RECEIVED                                | 020 |
| 07/20/2007 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED       | 019 |
| 07/19/2007 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER         | 018 |
| 07/19/2007 | XAEC | I | EXAMINER'S AMENDMENT ENTERED                  | 017 |
| 07/19/2007 | GNEN | O | NOTIFICATION OF EXAMINER'S AMENDMENT E-MAILED | 016 |
| 07/19/2007 | GNEA | O | EXAMINER'S AMENDMENT E-MAILED                 | 015 |
| 07/19/2007 | CNEA | R | EXAMINER'S AMENDMENT WRITTEN                  | 014 |
| 07/19/2007 | ZZZX | Z | PREVIOUS ALLOWANCE COUNT WITHDRAWN            | 013 |
| 07/02/2007 | PBCR | Z | WITHDRAWN FROM PUB - OG REVIEW QUERY          | 012 |
| 06/19/2007 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED       | 011 |
| 06/14/2007 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER         | 010 |
| 06/13/2007 | ACEC | I | AMENDMENT FROM APPLICANT ENTERED              | 009 |
| 06/13/2007 | CRFA | I | CORRESPONDENCE RECEIVED IN LAW OFFICE         | 008 |
| 06/13/2007 | ALIE | A | ASSIGNED TO LIE                               | 007 |
| 05/29/2007 | MAIL | I | PAPER RECEIVED                                | 006 |
| 03/07/2007 | GNRT | F | NON-FINAL ACTION E-MAILED                     | 005 |
| 03/07/2007 | CNRT | R | NON-FINAL ACTION WRITTEN                      | 004 |
| 03/01/2007 | DOCK | D | ASSIGNED TO EXAMINER                          | 003 |
| 12/07/2006 | MDSC | O | NOTICE OF DESIGN SEARCH CODE MAILED           | 002 |
| 12/06/2006 | NWAP | I | NEW APPLICATION ENTERED IN TRAM               | 001 |

## CURRENT CORRESPONDENCE INFORMATION

ATTORNEY

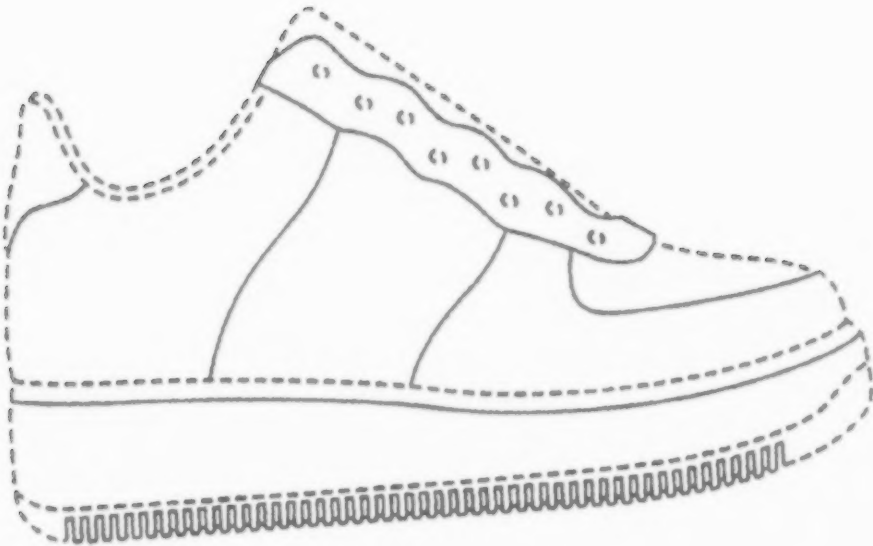
Helen Hill Minsker

CORRESPONDENCE ADDRESS

Heien Hill Minsker  
Banner & Wicoff, Ltd.  
Ten South Wacker Drive, Suite 3000  
Chicago IL 60606-7407

DOMESTIC REPRESENTATIVE

NONE



**Trademark Snap Shot Publication & Issue Review Stylesheet**

(Table presents the data on Publication &amp; Issue Review Compar)

**OVERVIEW**

|               |                     |               |            |
|---------------|---------------------|---------------|------------|
| SERIAL NUMBER | 77055375            | FILING DATE   | 12/01/2008 |
| REG NUMBER    | 0000000             | REG DATE      | N/A        |
| REGISTER      | PRINCIPAL           | MARK TYPE     | TRADEMARK  |
| INTL REG #    | N/A                 | INTL REG DATE | N/A        |
| TM ATTORNEY   | FOSDICK, GEOFFREY A | L.O. ASSIGNED | 111        |

**PUB INFORMATION**

|             |                                       |
|-------------|---------------------------------------|
| RUN DATE    | 03/09/2008                            |
| PUB DATE    | 04/08/2008                            |
| STATUS      | 681-PUBLICATION/ISSUE REVIEW COMPLETE |
| STATUS DATE | 03/05/2008                            |

**LITERAL MARK ELEMENT**

|                |     |                    |     |
|----------------|-----|--------------------|-----|
| DATE ABANDONED | N/A | DATE CANCELLED     | N/A |
| SECTION 2F     | YES | SECTION 2F IN PART | NO  |
| SECTION 8      | NO  | SECTION 8 IN PART  | NO  |
| SECTION 15     | NO  | REPUB 12C          | N/A |
| RENEWAL FILED  | NO  | RENEWAL DATE       | N/A |
| DATE AMEND REG | N/A |                    |     |

**FILING BASIS**

| FILED BASIS |     | CURRENT BASIS |     | AMENDED BASIS |    |
|-------------|-----|---------------|-----|---------------|----|
| 1 (a)       | YES | 1 (a)         | YES | 1 (a)         | NO |
| 1 (b)       | NO  | 1 (b)         | NO  | 1 (b)         | NO |
| 44D         | NO  | 44D           | NO  | 44D           | NO |
| 44E         | NO  | 44E           | NO  | 44E           | NO |
| 66A         | NO  | 66A           | NO  |               |    |
| NO BASIS    | NO  | NO BASIS      | NO  |               |    |

**MARK DATA**

|                         |                                                                   |
|-------------------------|-------------------------------------------------------------------|
| STANDARD CHARACTER MARK | NO                                                                |
| LITERAL MARK ELEMENT    |                                                                   |
| MARK DRAWING CODE       | 2-AN ILLUSTRATION DRAWING WITHOUT ANY WORD(S)/LETTER(S)/NUMBER(S) |
| COLOR DRAWING FLAG      | NO                                                                |

**CURRENT OWNER INFORMATION**

|             |                                           |
|-------------|-------------------------------------------|
| PARTY TYPE  | 10-ORIGINAL APPLICANT                     |
| NAME        | Nike, Inc                                 |
| ADDRESS     | One Bowerman Drive<br>Beaverton, OR 97005 |
| ENTITY      | 03 CORPORATION                            |
| CITIZENSHIP | Oregon                                    |

**GOODS AND SERVICES**

|                     |          |
|---------------------|----------|
| INTERNATIONAL CLASS | 025      |
| DESCRIPTION TEXT    | Footwear |

**GOODS AND SERVICES CLASSIFICATION**

|                     |     |                |            |                            |            |              |          |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|
| INTERNATIONAL CLASS | 025 | FIRST USE DATE | 10/28/1982 | FIRST USE IN COMMERCE DATE | 10/28/1982 | CLASS STATUS | 6-ACTIVE |
|---------------------|-----|----------------|------------|----------------------------|------------|--------------|----------|

**MISCELLANEOUS INFORMATION/STATEMENTS**

|                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CHANGE IN REGISTRATION   | NO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| COLORS CLAIMED STATEMENT | Color is not claimed as a feature of the mark                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| DESCRIPTION OF MARK      | The mark consists of the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other. The broken lines show the position of the mark and are not claimed as part of the mark. |

**PROSECUTION HISTORY**

|      |        |          |             |         |
|------|--------|----------|-------------|---------|
| DATE | ENT CD | ENT TYPE | DESCRIPTION | ENT NUM |
|------|--------|----------|-------------|---------|

|            |      |   |                                              |     |
|------------|------|---|----------------------------------------------|-----|
| 03/05/2008 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED      | 032 |
| 03/04/2008 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER        | 031 |
| 02/27/2008 | TEME | I | TEAS/EMAIL CORRESPONDENCE ENTERED            | 030 |
| 02/26/2008 | CRFA | I | CORRESPONDENCE RECEIVED IN LAW OFFICE        | 029 |
| 02/26/2008 | TROA | I | TEAS RESPONSE TO OFFICE ACTION RECEIVED      | 028 |
| 02/12/2008 | APAA | I | ATTORNEY REVOKED AP OR APPOINTED             | 027 |
| 02/12/2008 | REAP | I | TEAS REVOKE/APPOINT ATTORNEY RECEIVED        | 026 |
| 08/31/2007 | GPRN | O | NOTIFICATION OF PRIORITY ACTION E-MAILED     | 025 |
| 08/31/2007 | GPRA | O | PRIORITY ACTION E-MAILED                     | 024 |
| 08/31/2007 | CPRA | R | PRIORITY ACTION WRITTEN                      | 023 |
| 08/31/2007 | ZZZX | Z | PREVIOUS ALLOWANCE COUNT WITHDRAWN           | 022 |
| 08/07/2007 | PBCR | Z | WITHDRAWN FROM PUB - OG REVIEW QUERY         | 021 |
| 05/29/2007 | MAIL | I | PAPER RECEIVED                               | 020 |
| 07/20/2007 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED      | 019 |
| 07/19/2007 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER        | 018 |
| 07/19/2007 | XAEC | I | EXAMINERS AMENDMENT ENTERED                  | 017 |
| 07/19/2007 | GNEN | O | NOTIFICATION OF EXAMINERS AMENDMENT E-MAILED | 016 |
| 07/19/2007 | GNEA | O | EXAMINERS AMENDMENT E-MAILED                 | 015 |
| 07/19/2007 | CNEA | R | EXAMINERS AMENDMENT -WRITTEN                 | 014 |
| 07/19/2007 | ZZZX | Z | PREVIOUS ALLOWANCE COUNT WITHDRAWN           | 013 |
| 07/02/2007 | PBCR | Z | WITHDRAWN FROM PUB - OG REVIEW QUERY         | 012 |
| 06/19/2007 | PREV | O | LAW OFFICE PUBLICATION REVIEW COMPLETED      | 011 |
| 06/14/2007 | CNSA | O | APPROVED FOR PUB - PRINCIPAL REGISTER        | 010 |
| 06/13/2007 | ACEC | I | AMENDMENT FROM APPLICANT ENTERED             | 009 |
| 06/13/2007 | CRFA | I | CORRESPONDENCE RECEIVED IN LAW OFFICE        | 008 |
| 06/13/2007 | ALIE | A | ASSIGNED TO LIE                              | 007 |
| 05/29/2007 | MAIL | I | PAPER RECEIVED                               | 006 |
| 03/07/2007 | GNRT | F | NON-FINAL ACTION E-MAILED                    | 005 |
| 03/07/2007 | CNRT | R | NON-FINAL ACTION WRITTEN                     | 004 |
| 03/01/2007 | DOCK | D | ASSIGNED TO EXAMINER                         | 003 |
| 12/07/2006 | MDSC | O | NOTICE OF DESIGN SEARCH CODE MAILED          | 002 |
| 12/06/2006 | NWAP | I | NEW APPLICATION ENTERED IN TRAM              | 001 |

## CURRENT CORRESPONDENCE INFORMATION

ATTORNEY

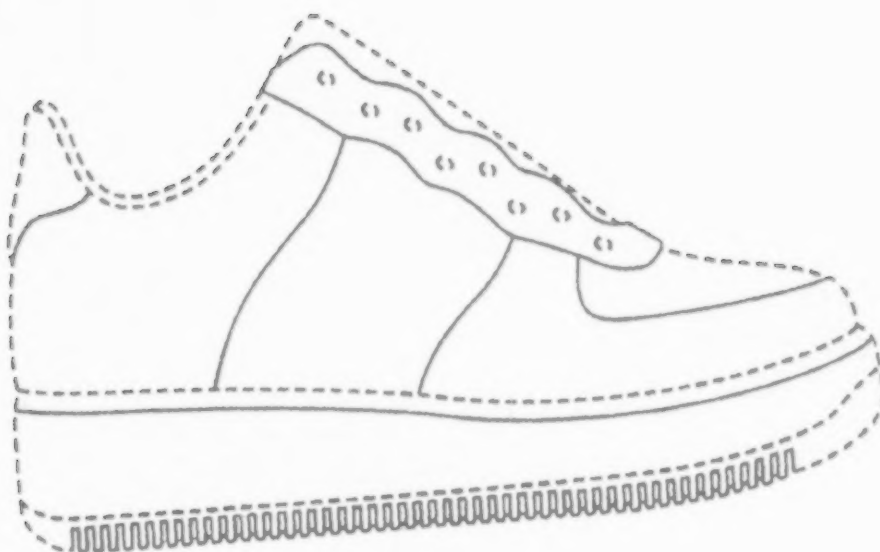
Heien Hill Minsker

CORRESPONDENCE ADDRESS

Moien H. Minsker  
Banner & Wilcoff, Ltd.  
Ten South Wacker Drive, Suite 3000  
Chicago IL 60606-7407

DOMESTIC REPRESENTATIVE

NONE



UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Trademarks  
P.O. Box 1451  
Alexandria, VA 22313-1451  
[www.uspto.gov](http://www.uspto.gov)

Mar 19, 2008

NOTICE OF PUBLICATION UNDER 12(a)

- |                                    |                                 |
|------------------------------------|---------------------------------|
| 1. Serial No.<br>77/055,375        | 2. Mark<br>Miscellaneous Design |
| 3. International Class(es):<br>25  |                                 |
| 4. Publication Date<br>Apr 8, 2008 | 5. Applicant<br>Nike, Inc       |

The mark of the application identified appears to be entitled to registration. The mark will, in accordance with Section 12(a) of the Trademark Act of 1946, as amended, be published in the Official Gazette on the date indicated above for the purpose of opposition by any person who believes he will be damaged by the registration of the mark. If no opposition is filed within the time specified by Section 13(a) of the Statute or by rules 2.101 or 2.102 of the Trademark Rules, the Commissioner of Patents and Trademarks may issue a certificate of registration.

Copies of the trademark portion of the Official Gazette containing the publication of the mark may be obtained from:

The Superintendent of Documents  
U.S. Government Printing Office  
PO Box 371954  
Pittsburgh, PA 15250-7954  
Phone: 202-512-1800

By direction of the Commissioner

Correspondence Address:

Heidi Hall Minkler  
Banner & Witcoff, Ltd.  
Ten South Wacker Drive, Suite 3000  
Chicago IL 60606-7407

TMP&I

Int. Cl.: 25

Prior U.S. Cls.: 22 and 39

Reg. No. 3,451,905

United States Patent and Trademark Office

Registered June 24, 2008

TRADEMARK  
PRINCIPAL REGISTER



NIKE, INC. (OREGON CORPORATION)  
ONE BOWERMAN DRIVE  
BEAVERTON, OR 97005

FOR FOOTWEAR, IN CLASS 25 (U.S. CLS. 22 AND 39)

FIRST USE 10-28-1982; IN COMMERCE 10-28-1982

THE MARK CONSISTS OF THE DESIGN OF THE STITCHING ON THE EXTERIOR OF THE SHOE, THE DESIGN OF THE MATERIAL PANELS THAT FORM THE EXTERIOR BODY OF THE SHOE, THE DESIGN OF THE WAVY PANEL ON TOP OF THE

SHOE THAT ENCOMPASSES THE EYELETS FOR THE SHOE LACES, THE DESIGN OF THE VERTICAL RIDGE PATTERN ON THE SIDES OF THE SOLE OF THE SHOE, AND THE RELATIVE POSITION OF THESE ELEMENTS TO EACH OTHER. THE BROKEN LINES SHOW THE POSITION OF THE MARK AND ARE NOT CLAIMED AS PART OF THE MARK.

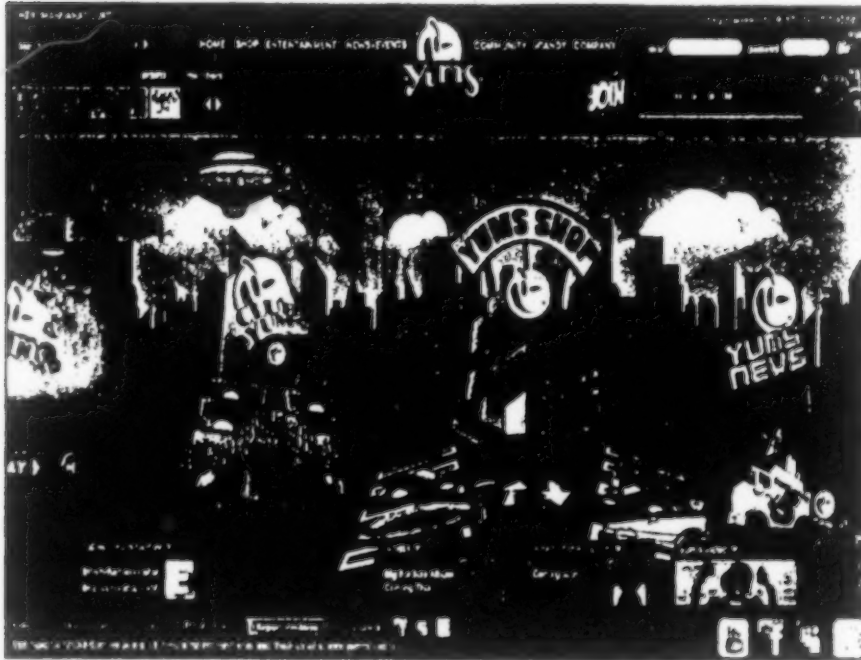
SEC. 2(F)

SER. NO. 77-055,315, FILED 12-1-2006

GEOFFREY POSDICK, EXAMINING ATTORNEY

SUPPLEMENTAL APPENDIX K -  
EXHIBIT 3 TO DABNEY DECLARATION - PRINTOUT FROM YUMSSHOES.COM [SA-116-  
SA-129]

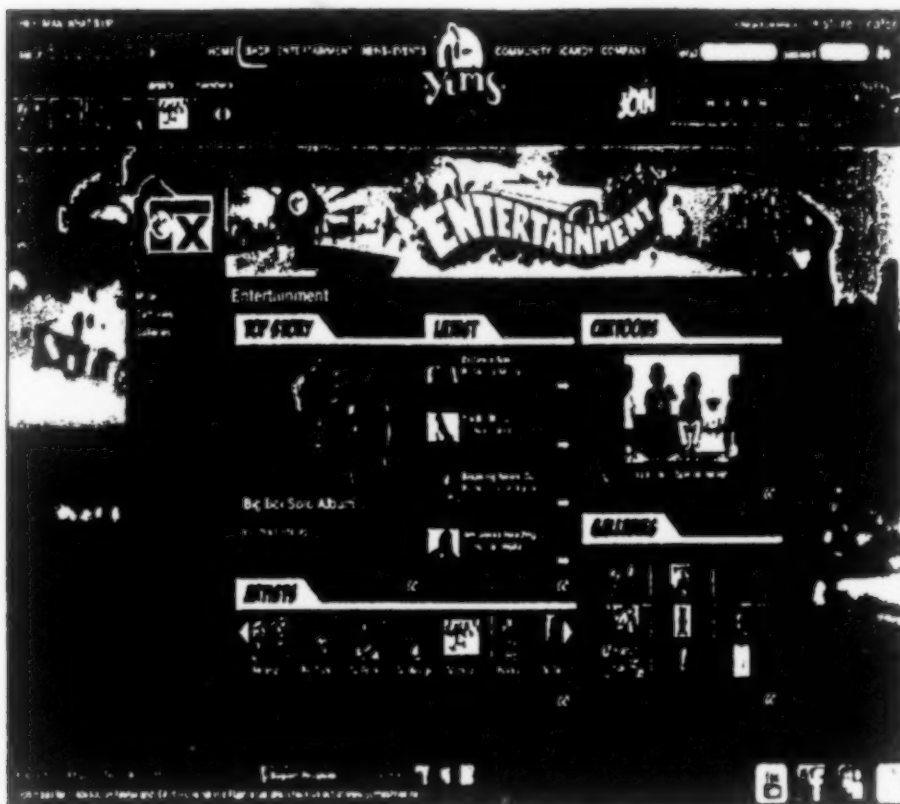
Yum's Shoes - Home - Case 1:09-cv-06366-RJS Document 40-8 Filed 04/26/2010 Page 1 of 1

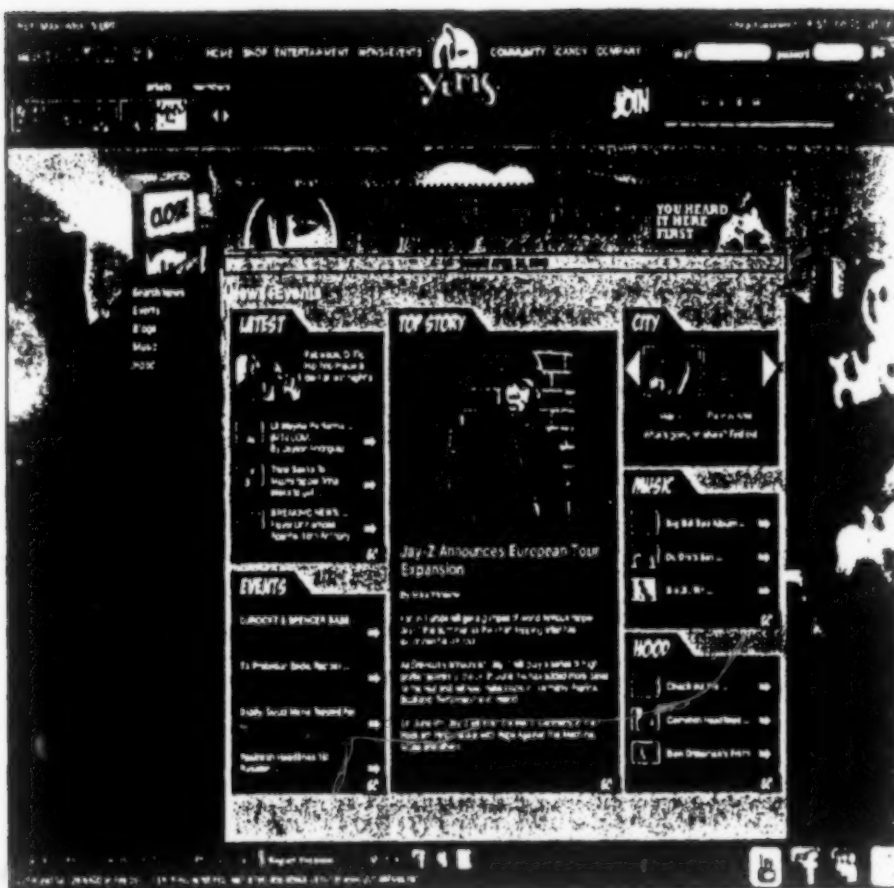


<http://new.yumsshoes.com/>

4/26/2010

SA-116







SHOES MEN'S WOMEN'S CAPS EXTRAS CLEARANCE

[illegible]

Page 1 of 22 Page

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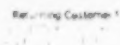
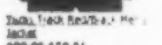
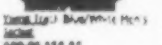
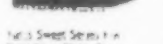
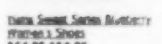
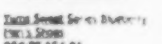
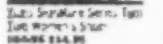
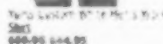
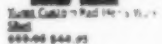
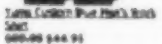
## 21

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**SPECIALS**

## New Products

- 2 New Era Caps
- 2 Shoes
  - Men's
  - Women's
- 2 Shirts
  - Men's
  - Women's
- 2 Jackets
  - Men's
  - Women's
- 2 Accessories
- 2 Big & Tall
- 2 Specials
  - Men's
  - Women's
- 2 Clearance



THE 5<sup>th</sup> (2011) (ART 4) (continued)

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- Shoes
  - Men's
  - Women's
- Shirts
  - Men's
  - Women's
- Jackets
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  - Women's
- Accessories
- Big & Tall
- Specials
  - Men's
  - Women's
- Clearance




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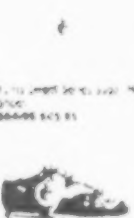

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Yums 'Big & Tall' Baseball Men's Polo  
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Yums 'Big & Tall' Baseball Men's Polo  
\$69.99 \$49.95

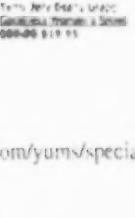
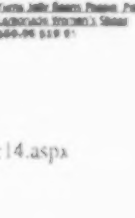

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25 - Page 3 of 3 Sort By

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**New Era Caps**

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- Men's
- Women's

**Shirts**

- Men's
- Women's

**Jackets**

- Men's
- Women's

**Accessories**

**Big & Tall**

**Specials**

- Men's
- Women's

**Clearance**

**Yums Street Series Shoes**

**Yums Street Series Shoes**

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SUPPLEMENTAL APPENDIX L -  
EXHIBIT 4 TO DABNEY DECLARATION – U.S. TRADEMARK REGISTRATION NO.  
3,576,757

Case 1:09-cv-06366-RJS Document 40-9 Filed 04/26/2010 Page 1 of 1

Int. Cl.: 25

Prior U.S. Cls.: 22 and 39

Reg. No. 3,576,757

United States Patent and Trademark Office

Registered Feb. 17, 2009

TRADEMARK  
PRINCIPAL REGISTER

YUMS

ALREADY, LLC (TEXAS LIMITED LIABILITY  
COMPANY)  
2000 STAFFORD DRIVE  
ARLINGTON, TX 76012

THE MARK CONSISTS OF STANDARD CHAR-  
ACTERS WITHOUT CLAIM TO ANY PARTICULAR  
FONT, STYLE, SIZE, OR COLOR.

FOR: ATHLETIC FOOTWEAR, BASEBALL CAPS,  
CAPS, T-SHIRTS, IN CLASS 25 (U.S. CLS. 22 AND 39).

SN 77-089,254, FILED 1-23-2007

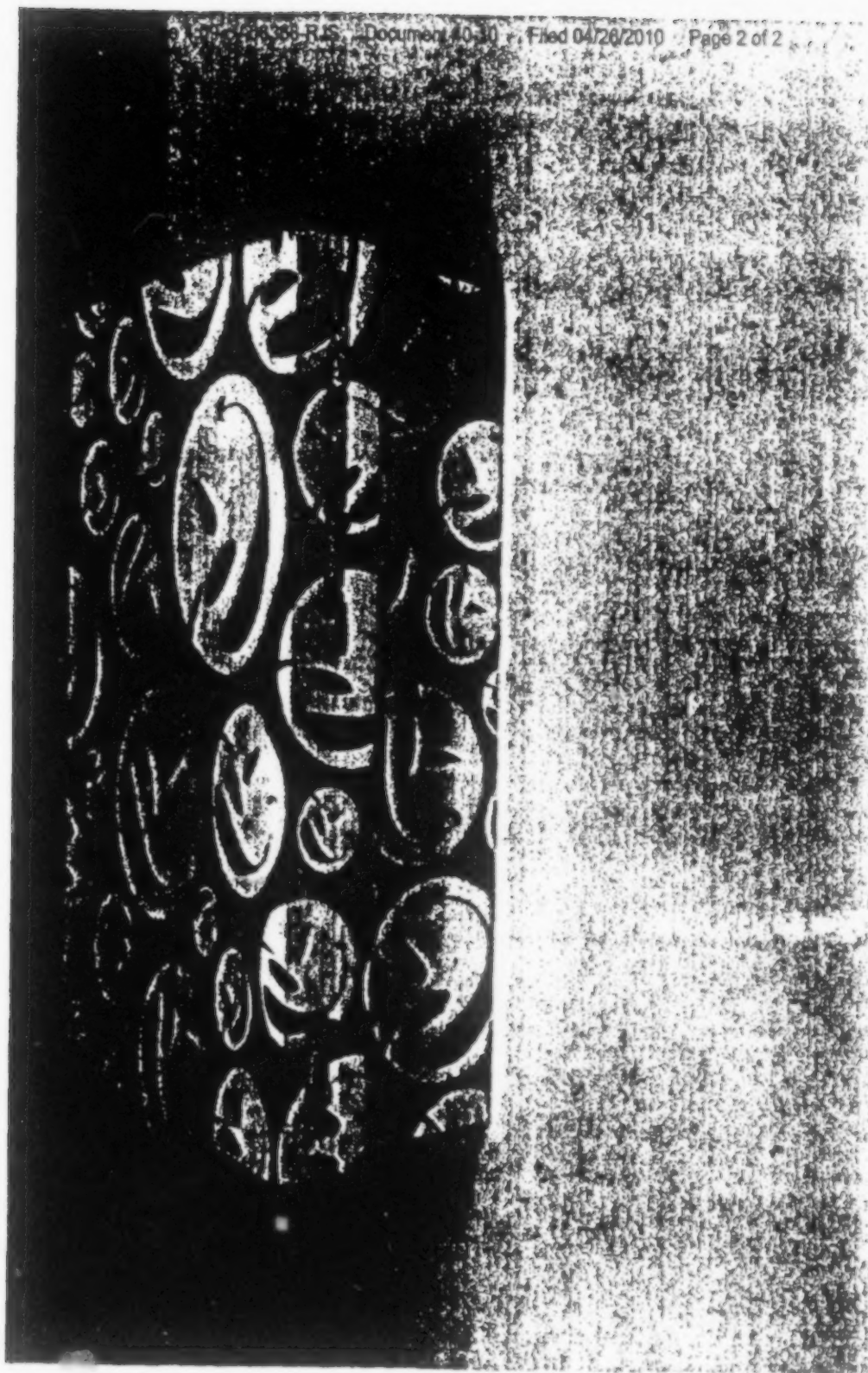
FIRST USE 11-7-2007; IN COMMERCE 11-7-2007.

KIM SATTO, EXAMINING ATTORNEY

SA-130



SA-131



SA-132

# **PETITIONER'S BRIEF**

IN THE

AUG 16 2012

Supreme Court of the United States

OF THE CLERK

ALREADY, LLC d/b/a YUMS,

*Petitioner,*

*v.*

NIKE, INC.,

*Respondent.*

ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

**BRIEF FOR PETITIONER**

JOHN F. DUFFY  
FRIED, FRANK, HARRIS,  
SHRIVER & JACOBSON LLP  
801 17th Street, NW  
Washington, DC 20006  
(202) 639-7000

JAMES W. DABNEY  
*Counsel of Record*  
STEPHEN S. RABINOWITZ  
VICTORIA J.B. DOYLE  
RANDY C. EISENSMITH  
FRIED, FRANK, HARRIS,  
SHRIVER & JACOBSON LLP  
One New York Plaza  
New York, New York 10004  
(212) 859-8000  
James.Dabney@friedfrank.com

August 16, 2012

*Attorneys for Petitioner*

## QUESTION PRESENTED

Whether a federal district court is divested of Article III jurisdiction over a party's challenge to the validity of a federally registered trademark if the registrant promises not to assert its mark against the party's then-existing commercial activities.

## **RULE 29 STATEMENT**

Pursuant to this Court's Rule 29.6, petitioner states that it has no parent corporation and no publicly held company owns 10% or more of petitioner's stock.

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Petitioner respectfully submits this brief in support of its petition for reversal and judgment that, on the record of this case, the district court had Article III jurisdiction to adjudicate whether petitioner is entitled to the relief sought in paragraphs (ii)-(vi) and (viii) of its compulsory counterclaim filed November 19, 2009. *See* Joint Appendix ("JA") 55a-58a.

### **OPINIONS BELOW**

The opinion of the Court of Appeals (Pet. App. 1a-20a) is reported at 663 F.3d 89. The opinion of the District Court (Pet. App. 21a-40a) is unreported.

### **JURISDICTION**

The Court of Appeals entered final judgment on November 10, 2011. No petition for rehearing was filed. On February 8, 2012, petitioner timely filed a petition for a writ of certiorari, which this court granted on June 25, 2012. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

The district court had subject matter jurisdiction to hear and determine the entirety of this case, including petitioner's compulsory counterclaim, under at least 28 U.S.C. §§ 1331 and 1367(a). The Second Circuit had appellate jurisdiction under 28 U.S.C. § 1291.

### **CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED**

Article III of the United States Constitution provides in relevant part:

The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority . . . .

28 U.S.C. § 1331 provides:

The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.

28 U.S.C. § 1367(a) provides in part:

[I]n any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution.

15 U.S.C. § 1119 provides:

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

### STATEMENT OF THE CASE

Petitioner designs and markets athletic footwear, shirts, caps, and other apparel products under the registered trademark YUMS. Supplemental Appendix ("SA") 121-130. Between 2007 and 2010, petitioner developed approximately forty-five (45) different lines or styles of athletic shoes and brought five of these to market under the sub-brands "Sweet," "Jelly Bean," "Boss Boggs," "FlyTop," and "BAY." JA172a-173a.

On August 20, 2007, petitioner filed an application with the United States Patent and Trademark Office (“PTO”) seeking issuance of a design patent on the novel, original, ornamental, and non-obvious<sup>1</sup> design of the athletic shoes that would constitute the “Sweet” shoe line. Petitioner eventually was granted U.S. Patent No. D584,040 entitled “Shoe” (the “McDade ‘040 Patent”; SA2-6). Figure 3 of petitioner’s design patent is reproduced below (SA5):



In selling its men’s and women’s “Sweet” shoe models in commerce, petitioner identified itself as their origin with (i) the YUMS registered trademark, (ii) tags bearing petitioner’s corporate signature logo (SA131); (ii) the letter “Y” sewn onto the shoes’ side panels (*id.*); and (iv) distinctive point-of-sale packaging (SA132). The bottoms of YUMS “Sweet” shoes feature clear material overlaying original graffiti-style artwork. SA22; SA129; JA169a; JA179a.

### **Respondent Initiates Registration Proceedings**

Less than a year before the commercial launch of petitioner’s “Sweet” shoe line, on December 1, 2006, respondent filed an application with the United States

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<sup>1</sup> Federal Circuit precedent has long interpreted the design patent statute, 35 U.S.C. § 171, as incorporating the “non-obvious subject matter” condition for patentability prescribed in 35 U.S.C. § 103. See *In re Borden*, 90 F.3d 1570, 1574 (Fed. Cir. 1996).

Patent and Trademark Office ("PTO") seeking "registration" on the PTO "principal register,"<sup>2</sup> as a purported "trademark used in commerce," 15 U.S.C. § 1051(a)(1),<sup>3</sup> the three-dimensional shoe configuration drawn below (SA31):



The drawing in respondent's application depicted the configuration of an athletic shoe model that respondent has sold under the sub-brand "Air Force 1", but without any of the origin-indicating markings (*e.g.*,

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<sup>2</sup> The PTO maintains two distinct and different "registers," the "principal register" (15 U.S.C. § 1051(a)(1)) and the "supplemental register" (15 U.S.C. § 1091). The principal register is limited to "marks" that are "used in commerce" as those terms are defined in 15 U.S.C. § 1127. The supplemental register, by contrast, permits registration of broader range of subject matter, including "configuration of goods," 15 U.S.C. § 1091(c), in part to facilitate non-United States registration of subject matter that is not recognized as trademark-eligible subject matter in the United States.

<sup>3</sup> To be "used in commerce" on "goods" like sneakers, a "trademark" must be "placed . . . on the goods or their containers or displays associated therewith or on the tags or labels affixed thereto." 15 U.S.C. § 1127. One of the underlying substantive issues remaining to be litigated in this case is whether the term "mark," and the phrase "placed . . . on," can be so broadly construed as to describe integral features of a shoe, which make the shoe what it is. If the case is remanded, petitioner will contend that the statutory language cannot be so broadly construed, and that the statutory language is one of the reasons why respondent's registered trademark is invalid.

a “swoosh” device; the word NIKE) which appear on the actual goods. Respondent claims to have sold shoes embodying the above design since 1982. JA130a. Respondent appears never to have sought patent protection for the design, and any design patent issued to respondent in 1982 would have expired by not later than 1996. 35 U.S.C. § 173.

Respondent’s application for trademark registration candidly stated: “The mark consists of a shoe.” SA26. Respondent submitted a verified statement that it “believe[d]” itself “to be the owner of the trademark/service mark sought to be registered”<sup>4</sup> and that “to the best of [its] knowledge and belief no other person, firm, corporation, or association has the right to use the mark in commerce, either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection

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<sup>4</sup> In contrast with patents, *see* 35 U.S.C. § 154(a)(1) (“Every patent shall contain . . . a grant to the patentee. . . of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States . . .”), the Trademark Act does not purport to “grant” rights to exclude use of “trademarks.” Rather, 15 U.S.C. § 1051(a) permits a person who *already is* the “owner” of a trademark to seek “registration” of its ownership claim on the “principal register” and thereby to secure certain additional rights by operation of federal law. Initial “ownership” of a trademark can and often does arise by operation of state common law. *See United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 98 (1918) (“Property in trade-marks and the right to their exclusive use rest upon the laws of the several States. . .”). This fundamental difference between patent law and trademark law traces back to this Court’s decision in *The Trade-Mark Cases*, 100 U.S. 82 (1879), which held that Congress did not have power under the Patent and Copyright Clause of the Constitution (Art. I, § 8, cl. 8) to regulate trademarks. Subsequent federal regulation of trademarks has been based on the Interstate Commerce Clause, and Congress has not sought to displace all of the state law that creates private rights in trademarks.

with the goods/services of such other person, to cause confusion, or to cause mistake, or to deceive.” SA30.

Respondent’s claim to be the owner of the shoe configuration depicted above was in deep tension with this Court’s precedents. *Cf. Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231-33 (1964) (federal patent law barred a claim to perpetual trademark protection for the pole lamp design disclosed in U.S. Patent D180,251); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237-38 (1964) (federal patent law barred a claim to perpetual trademark protection for the lighting fixture design disclosed in U.S. Patent D176,367, notwithstanding district court findings that the subject design was “nonfunctional” and had “secondary meaning” in the sense that trademark law uses those terms.).<sup>5</sup>

Nevertheless, on June 24, 2008, the PTO granted respondent’s application and registered, on its “principal register” (15 U.S.C. § 1051(a)(1)), respondent’s claim that it owned the claimed trademark represented by the solid lines (not the dashed lines) in the amended

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<sup>5</sup> This Court has long held that “on the expiration of a patent the monopoly granted by it ceases to exist, and the right to make the thing formerly covered by the patent becomes public property.” *Kellogg Co. v. Nat’l Biscuit Co.*, 305 U.S. 111, 120 (1938) (quoting *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896)). “*Sears* and *Compco* extended that rule to potentially patentable ideas which are fully exposed to the public.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.* 489 U.S. 141, 165 (1989). See *Sears*, 376 U.S. at 231 (“An unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so.”); *Compco*, 376 U.S. at 237-38 (“Day-Brite’s fixture has been held not to be entitled to a design or mechanical patent. Under the federal patent laws it is, therefore, in the public domain and can be copied in every detail by whoever pleases.”).

drawing below, which is the drawing of U.S. Reg. No. 3,451,905 (the "905 Registration"; *see* SA1):



During the prosecution of its application for trademark registration, respondent deleted its original statement that "[t]he mark consists of a shoe" (SA26) and recharacterized the claimed "trademark" as follows:

The mark consists of the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other. The broken lines show the position of the mark and are not claimed as part of the mark. SA91.

Respondent also submitted a one-page declaration in support of its application which stated in part: "The mark has become distinctive of the goods/services through applicant's substantially exclusive and continuous use in commerce for at least the five years immediately before the date of this statement." SA48. The PTO apparently accepted this declaration as sufficient to permit registration of respondent's

ownership claim under 15 U.S.C. § 1052(f) (the '905 Registration bears the notation "SEC. 2(f)"; see SA1).<sup>6</sup>

### **Respondent Sues Petitioner**

Having been armed with Government-issued "prima facie evidence" of its claimed mark's validity,<sup>7</sup> respondent filed multiple lawsuits to stop petitioner and others from selling what respondent called "infringing shoes." JA137a.

On July 16, 2009, respondent filed a 5-count complaint against petitioner (JA31a-47a & SA1) seeking broad injunctive relief (including "destruction of all Infringing Shoes"), actual damages, punitive damages, and attorneys' fees (JA44a-45a), based on petitioner's sale of YUMS-branded athletic shoes that embodied the McDade '040 Patent design. A side-by-side comparison

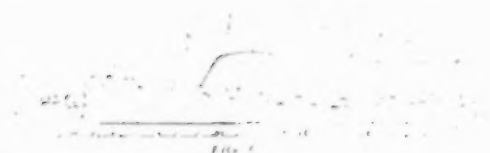
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<sup>6</sup> 15 U.S.C. § 1052(f) provides that "[t]he Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made." The text of the Trademark Act here once again distinguishes between "goods," on the one hand, and a "mark" that is "used on or in connection with the applicant's goods," on the other.

<sup>7</sup> When the PTO registers a trademark on the "principal register," its action is "admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce . . . ." 15 U.S.C. § 1115(a). Cf. *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011) (construing corresponding provision of Patent Act, 35 U.S.C. § 282, which provides that claimed inventions disclosed in issued patents are "presumed valid."). Here, the '905 Registration purported to evidence, among other things, respondent's claim to own state law rights to prevent "dilution" of the claimed "trademark" depicted therein.

of the accused YUMS shoes and the claimed trademark asserted by respondent appears below:

McDade '040 Patent



Nike '905 Registration



Respondent characterized petitioner's sale of YUMS shoes as constituting unlawful "use of colorable imitations of the NIKE Mark" (JA37a, JA39a, JA41a), the phrase "colorable imitation" being a trademark law term of art<sup>8</sup> and the phrase "NIKE Mark" being expressly defined by respondent as referring to "NIKE's federal and common law trademark rights in the design of the Air Force 1 shoe." JA34a. As thus defined in respondent's complaint, the term "NIKE Mark" referred to respondent's claimed state and federal law rights to exclude use of the structural shoe features shown in the '905 Registration.

Respondent also characterized petitioner's sale of shoes embodying the McDade '040 Patent design as constituting unlawful "use" of a "symbol, or device" "on or in connection with" "goods," 15 U.S.C. § 1125(a)(1)<sup>9</sup>

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<sup>8</sup> The statutory phrase "colorable imitation," 15 U.S.C. § 1114(1), historically was used to describe a mark placed on goods "which requires careful inspection to distinguish the spurious trade-mark from the genuine." *McClean v. Fleming*, 96 U.S. 245, 255 (1878). The *McLean* case involved use of a name ("Dr. McLean's Universal Pills") placed on medicament packages.

<sup>9</sup> The statutory terms "symbol" and "device" historically referred to marks that were placed on or "affixed" to goods. *E.g.*, *Elgin Nat'l*

and as unfair competition under New York common law.

Respondent further alleged that the shoe depicted in the '905 Registration was a "famous" "mark" (JA39a); and from this premise, respondent characterized petitioner's sale of shoes embodying the McDade '040 Patent as constituting "use of a mark or trade name in commerce that is likely to cause dilution." 15 U.S.C. § 1125(c)(1). JA40a. Respondent asserted a similar claim for "dilution" under New York General Business Law § 360-l. JA42a-44a.

### **Petitioner's Answer and Counterclaim**

Petitioner served an answer to respondent's complaint, denied infringement, and asserted a compulsory counterclaim (see Fed. R. Civ. P. 13(a)(1)) for judgment (i) declaring that respondent does not own any valid state or federal trademark rights to exclude use of the

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*Watch Co. v. Illinois Watch Co.*, 179 U.S. 665, 673 (1900) ("It may consist in any *symbol* or in any form of words" whose "office is to point out distinctively the origin or ownership of the articles to which it is *affixed*") (emphasis added); *McClean*, 96 U.S. at 254 ("Stamps or trade-marks of the kind are employed to point out the origin, ownership, or place of manufacture or sale of the article to which it is *affixed*" and "may consist of a name, *symbol*, figure, letter, form, or *device*") (emphasis added). The current day affixation requirement for trademarks is found in the statutory definition of "use in commerce" in 15 U.S.C. § 1127. A design may constitute a "mark" if it is physically or conceptually separable from the "goods" on which it is "placed." *Cf. Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 207 (2000) (asserted design comprised "appliqués of hearts, flowers, fruits, and the like" which were placed on clothing items). For "mechanical configurations," by contrast, this Court has held that patent law standards "insure competition in the sale of identical or substantially identical products." *Goldstein v. California*, 412 U.S. 546, 569-70 (1973). *Cf. Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 37 (2003) (rejecting interpretation of trademark law that would create "a species of perpetual patent").

shoe configuration disclosed and claimed in the '905 Registration, and (ii) awarding appropriate injunctive relief including cancellation of the '905 Registration. Petitioner's counterclaim alleged in part (JA55a-56a):

47. The purported "mark" depicted and described in the '905 Registration is not, in fact, a "trademark" within the meaning of 15 U.S.C. § 1127.

48. The purported "mark" depicted and described in the '905 Registration is not a "symbol" or a "device" used "on" or "in connection with" "goods" within the meaning of 15 U.S.C. § 1125(a)(1), but rather consists of integral features of "goods" sold by plaintiff.

In concluding paragraphs (ii)-(viii) of its counterclaim, petitioner prayed that the court (JA57a-58a):

(ii) Declare, adjudge, and decree that the purported "mark" depicted in the '905 Registration is not a valid trademark under federal or New York state law;

(iii) Declare, adjudge, and decree that the design of the shoe depicted in paragraph 10 of respondent's Complaint herein is not a valid trademark under federal or New York state law;

(iv) Declare, adjudge, and decree that Yums has not infringed any rights that Nike may have in the purported "mark" depicted in the '905 Registration;

(v) Declare, adjudge, and decree that Yums has not infringed any rights that Nike may have in the configuration of the shoe depicted in paragraph 10 of the Complaint herein;

(vi) Order cancellation of the '905 Registration under 15 U.S.C. § 1119;

(vii) Award defendants their costs, disbursements and attorneys' fees as allowed by law; and

(viii) Award such other and further relief as the Court may deem just and proper.

In December 2009, respondent served an answer to petitioner's counterclaim. JA72a-80a. Respondent denied petitioner's allegations challenging the validity of the purported trademark depicted in the '905 Registration. Respondent did, however, specifically admit that (i) "[a]n actual controversy exists between Yums and Nike regarding whether the purported 'mark' depicted and described in the '905 Registration is protectable as a trademark under the Trademark Act of 1946, as amended, or under New York state statutory or common law", and (ii) "[a]n actual controversy exists between Yums and Nike regarding whether the '905 Registration is valid." JA77a.

### **Litigation Activity in the District Court**

On November 13, 2009, the parties jointly submitted a case management plan to the district court which called for all fact discovery to be completed by April 2, 2010, and all expert discovery to be completed by May 28, 2010. See JA82a-83a. That same month both sides served written interrogatories under Federal Rule of Civil Procedure 33 and requests for production of documents under Federal Rule of Civil Procedure 34. JA84a-85a.

On December 9, 2009, respondent moved for leave to file a motion to strike petitioner's first and second affirmative defenses. JA59a-64a. Those defenses asserted that respondent's claims were barred, in whole or in part, by federal patent law and applicable precedents of this Court. JA54a. Petitioner opposed respondents' motion and, in the alternative, sought

leave to cross move for summary judgment in its favor on the subject defenses. JA65a-70a.

On January 20, 2010, the parties appeared before the district court for a pretrial conference under Federal Rule of Civil Procedure 16. The district court ordered that all fact discovery be completed by June 10, 2010, and that all expert discovery be completed by August 2, 2010. JA13a. The January 2010 conference also included the following colloquy:

THE COURT: Mr. Dabney, you are not going to show your props?

MR. DABNEY: I had wanted, your Honor. I thought it would be helpful for your Honor to see what the case actually was about.

THE COURT: I don't mind looking at the props. . . . You have a photograph on the first page of your December 14 letter [JA66a] as well as attachments [SA2-6] that I guess are from -

MR. DABNEY: I think perhaps your Honor can appreciate why the defendant viewed this as an exceptional case if your Honor could just look at the packaging and the products. We do not believe that -- I don't think that there could be two more different appearing products in the marketplace, both in terms of the packaging that the customer sees, or in terms of the actual physical shoes which have their own distinct markings on them.

THE COURT: I think that was apparent from your letter. I guess I can ask plaintiffs. What is it, they both have laces? . . . .

MR. RENK: Your Honor, it's the overall appearance of the shoe as described in the trade-

mark registration, the panel configuration in combination with the eyelet stays, in combination with the outsole serration. It's the overall appearance of the shoe, the configuration of the shoe, Your Honor, that's at issue.

THE COURT: I'm not about to resolve that now. I'm not sure I'll ever have to resolve it. They sure look different to me. . . . (JA86a-87a).

The district court set a deadline for filing respondent's proposed motion to strike (JA87a-88a) and granted petitioner leave to cross-move for summary judgment in its favor on the issues respondent proposed to raise. JA88a. The district court also rejected respondent's request that it be permitted to withhold pre-tests of survey instruments. JA89a-92a. The district court subsequently issued a protective order of confidentiality for discovery materials. JA15a.

### **Respondent Delivers a Covenant Not to Sue**

On March 19, 2010, respondent abruptly delivered a document styled "Covenant Not to Sue." JA95a-97a. As the district court noted, respondent's unilateral covenant was delivered "[i]n the middle of discovery." Pet. App. 23a. The covenant was delivered approximately eight (8) weeks after the district court had listened to respondent's trial counsel attempt to answer the question, "What is it, they both have laces?" and had stated "they sure look different to me." JA87a.

In its unilateral covenant, respondent undertook to "refrain" from asserting its claimed mark or the '905 Registration against "any of Already's *current* and/or *previous* footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the

Effective Date of this Covenant [March 19, 2010].” JA96a-97a (emphasis added).

The covenant also included the following prefatory assertions:

NIKE represents and warrants that it *owns federal and common law trademark rights* in the design of NIKE’s Air Force 1 low shoe, including United States Trademark Registration Number 3,451,905, . . . collectively . . . referred to as the “NIKE Mark;” and

Already’s actions complained of in the Complaint no longer infringe or dilute the NIKE Mark *at a level sufficient to warrant the substantial time and expense of continued litigation* and NIKE wishes to conserve resources relating to its enforcement of the NIKE Mark.

JA96a (emphasis added).

The covenant thus reasserted respondent’s disputed claim of state and federal law rights to exclude use of the purported trademark depicted in the ‘905 Registration and in paragraph 10 of respondent’s complaint (JA33a), and asserted that the reason for respondent’s sudden abandonment of its lawsuit against petitioner, after nine months of litigation, was a purported belief that petitioner’s complained of “actions” were “no longer . . . at a level” that “warrant[ed]” the expense of obtaining any relief against petitioner, its successors, or assigns. JA96a-97a.

Respondent’s openly-acknowledged purpose in delivering this covenant was to try and divest the district court of subject matter jurisdiction. Immediately following delivery of its “covenant,” respondent moved the district court for an order (i) dismissing respondent’s own complaint against petitioner with prejudice, and

(ii) dismissing petitioner's compulsory counterclaim for alleged lack of subject matter jurisdiction, ostensibly on the basis that petitioner's counterclaim was somehow rendered moot by respondent's unilateral post-suit act. JA132a-133a.

Respondent's motion invoked "Rule 41(a)(2), Fed. R. Civ. P." JA132a. Respondent took the contradictory positions that (i) the district court had jurisdiction to dismiss respondent's claims against petitioner "with prejudice," thereby rendering a judgment on the merits, *see Semtek Int'l Inc. v. Lockheed Martin Corp.*, 531 U.S. 497, 505 (2001), but that (ii) the district court supposedly lacked jurisdiction to render judgment on the merits of petitioner's compulsory counterclaim.

On April 26, 2010, petitioner opposed respondent's motion and objected to dismissal of this *action* (as distinct from respondent's *claims* in this action) in view of petitioner's pending counterclaim. Petitioner argued that respondent bore the burden of demonstrating that its unilateral covenant had rendered petitioner's counterclaim moot, and that respondent had failed to carry this burden.

### The District Court's Decision

On January 20, 2011, without holding any evidentiary hearing,<sup>10</sup> the district court granted respondent's motion to dismiss its own complaint "with prejudice." JA197a-198a. As noted above, a dismissal "with prejudice" is a form of adjudication on the merits. *See Semtek*, 531 U.S. at 505. The district court's dismissal of

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<sup>10</sup> The Second Circuit opinion states that the district court acted "[a]fter a hearing." Pet. App. 5a. The "hearing" referred to was a *pre-motion* hearing held April 2, 2010 (JA98a), before respondent's motion to dismiss had even been filed. No evidence was submitted or received at this pre-motion "hearing."

respondent's complaint "with prejudice" was thus an *exercise* of judicial jurisdiction and granted the relief that petitioner had sought in prayer (i) of its counterclaim, *i.e.*, that the court "[d]ismiss the plaintiff's Complaint with prejudice." JA57a.

After having thus dismissed respondent's complaint with prejudice and awarded a portion of the relief sought by petitioner, the district court held that it lacked jurisdiction to award the declaratory and injunctive relief sought in prayers (ii)-(vi) and (viii) of petitioner's counterclaim Pet. App. 32a-38a. The district court appeared to acknowledge that the '905 Registration was a source of continuing injury to petitioner, but concluded that "in the present posture of this case, the Patent and Trademark Office is the proper venue for Defendant to seek cancellation." Pet. App. 37a n.3.<sup>11</sup> The district court acknowledged that its reasoning was contrary to that which the Ninth Circuit applied in *Bancroft & Masters, Inc. v. August National Inc.*, 223 F.3d 1082, 1085 (9th Cir. 2000). See Pet. App. 36a ("some courts in other districts have agreed with Defendant's argument") (citing *Bancroft*).

The dismissal of respondent's complaint "with prejudice" rendered petitioner "the prevailing party" (15 U.S.C. § 1117(a)) and thus potentially entitled to

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<sup>11</sup> 15 U.S.C. § 1064 provides that "[a] petition to cancel a registration of a mark . . . may . . . be filed . . . by any person who believes that he is or will be damaged . . . by the registration." PTO decisions in such cancellation proceedings are subject to district court review under 15 U.S.C. § 1071(b), and potentially *de novo* review when new evidence is introduced on a disputed issue of fact. Cf. *Kappos v. Hyatt*, 132 S. Ct. 1690 (2012) (construing the patent law counterpart to § 1071(b)). Thus, district court's reasoning seemed to suggest that petitioner's counterclaim for cancellation would be subject to district court jurisdiction if presented in a direct review proceeding under 15 U.S.C. § 1071(b).

recover attorneys' fees if this case were deemed "exceptional." *Id.* Petitioner's prayer for attorneys' fees was specifically set forth in paragraph (vii) of its counterclaim. JA58a. The district court concluded that "this case, in which Plaintiff moved to voluntarily dismiss its claims at an early stage of litigation, is not exceptional such that Defendant is entitled to attorney's fees and costs under Section 1117." Pet. App. 39a. The district court adjudicated this portion of petitioner's counterclaim without considering or deciding whether, as petitioner alleged in the counterclaim, respondent had asserted invalid state and federal trademark claims against petitioner.

### The Second Circuit's Decision

Petitioner timely appealed the dismissal of its compulsory counterclaim to the Second Circuit. Petitioner argued that its compulsory counterclaim seeking cancellation of the '905 Registration and appropriate awards of injunctive and declaratory relief was independent of petitioner's right to raise invalidity as a defense to respondent's infringement claims; that the jurisdictional standard was the "absolutely clear" standard that this Court stated and applied in *Friends of the Earth, Inc. v. Laidlaw Environmental Services (TOC), Inc.*, 528 U.S. 167, 190 (2000); and that respondent had not met this standard, just as the registrant in *Bancroft* had not.

Petitioner further argued that there was no principled difference between its position in this case and the position of the counterclaimant in *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83 (1993), wherein this Court held that a judgment of non-infringement did not divest a federal court of jurisdiction to hear a counterclaim for judgment declaring that the non-infringed patent was invalid. *Id.* at 96, 99-103.

The Second Circuit stated that *Cardinal Chemical* was “inapposite” to this case because it concerned the jurisdiction of “an intermediate appellate court, not a trial court.” Pet. App. 16a (quoting *Giese v. Pierce Chem. Co.*, 43 F. Supp. 2d 98, 112 n.14 (D. Mass. 1999)). The court further stated: “The Supreme Court’s decision in *Cardinal Chemical* is limited to the specific facts of that case.” *Id.* (quoting *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 78 F.3d 540, 546 (Fed. Cir. 1996)).

The Second Circuit also stated that “Section 1119 . . . creates a *remedy for trademark infringement*,” Pet. App. 18a (emphasis added); and from this premise (which neither side advocated below),<sup>12</sup> the court held that “a claim for trademark cancellation under § 1119 is insufficient to support federal jurisdiction where a covenant not to sue has *resolved* the underlying *infringement* action.” Pet. App. 19a (emphasis added). The court did not analyze whether 28 U.S.C. § 1367(a) supported petitioner’s compulsory counterclaim for cancellation of the ‘905 Registration and appropriate awards of injunctive and declaratory relief.

Finally, the Second Circuit affirmed the district court’s denial of attorneys’ fees. In its brief to the Second Circuit, respondent expressly relied on the ‘905 Registration as supporting its argument that this case ought not be deemed “exceptional” for purposes of awarding attorneys’ fees under 15 U.S.C. § 1117(a). See Resp. C. A. Br. at 39 (arguing that attorneys’ fees were not appropriate “[a]t least because **NIKE**

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<sup>12</sup> Section 37 of the Lanham Act vests district courts with authority to “rectify the register” maintained by the PTO, not to remedy “infringement.” The unlawful registration of trademark-ineligible subject matter is not an act of “infringement,” and cancellation of such a registration is not a “remedy” for “infringement.” The Second Circuit’s contrary statement was incorrect.

*possesses a federal trademark registration . . . .*") (bold and italics in original).

### SUMMARY OF THE ARGUMENT

The Court should reverse the judgment of the Second Circuit in this case for several reasons.

First, this case involves a claim of "postcommencement mootness." *Friends of the Earth*, 528 U.S. at 174. It is undisputed that as of March 18, 2010 (the day before respondent delivered its unilateral covenant not to sue), the district court in this case had jurisdiction over petitioner's counterclaim for judgment (i) declaring that respondent does not own any valid state or federal trademark rights to exclude use of the shoe configuration depicted in the '905 Registration, and (ii) awarding appropriate injunctive relief including cancellation of the '905 Registration. Respondent has not renounced the claim of trademark ownership that petitioner challenged in this case, but respondent nevertheless contends that its voluntary post-suit covenant divested the district court of jurisdiction to adjudicate petitioner's claim. Under this Court's precedents, *respondent* bore a stringent burden of proving that (i) it was "absolutely clear" petitioner would never again be adversely affected by respondent's allegedly false claim of trademark ownership, and that (ii) respondent had "irrevocably eradicated" the effects of its past allegedly unlawful conduct. *County of Los Angeles v. Davis*, 440 U.S. 625, 631 (1979). (Part I, *infra*).

Second, respondent wholly failed to carry its heavy burden of demonstrating mootness. Respondent's registered claim of state and federal trademark law rights purports to impose a direct, continuing restraint on the conduct of petitioner's athletic footwear business. The '905 Registration nationally advertises and gives color to respondent's disputed claim of right to exclude use of

the shoe configuration depicted therein. Respondent's registered claim disadvantages petitioner, both procedurally and substantively, in efforts to attract investment and compete with respondent in the marketplace. As a company engaged in the business of designing and marketing athletic shoes, petitioner plainly has a legitimate interest in obtaining a judgment declaring that the shoe configuration depicted in the '905 Registration is "in the public domain and can be copied in every detail by whoever pleases." *Compco*, 376 U.S. at 237-38. (Part II, *infra*).

Third, the decision below is deeply inconsistent with "the strong federal policy favoring the full and free use of ideas in the public domain." *Lear, Inc. v. Adkins*, 395 U.S. 653, 674 (1969). In light of that policy, this Court has repeatedly disapproved case law doctrines, like the one applied below, which have restricted litigants' ability to maintain federal court challenges to the validity of claimed rights to exclude use of design and utilitarian conceptions. This case presents a similar circumstance. The jurisdictional rule applied below purports to limit the authority of federal courts to hear legitimate challenges to the validity of claimed trademarks and to the legality of PTO registration decisions. To the extent that a federal trademark registrant can unilaterally divest a federal court of jurisdiction to hear a challenge to the validity of an asserted registered trademark, the registration can remain on the PTO principal register as a "scarecrow," *Cardinal Chem.*, 508 U.S. at 96 (quoting *Bresnick v. United States Vitamin Corp.*, 139 F.2d 239, 242 (2d Cir. 1943) (L. Hand, J.)), and a basis for commencing meritless but costly trademark litigation. Such scarecrow registrations injure not only the interests of consumers, but also the specific business interests of competitors that are active in the particular industry. (Part III, *infra*.)

**I. RESPONDENT BORE A HEAVY BURDEN TO ESTABLISH THAT ITS VOLUNTARY ACTIONS RENDERED THIS CASE MOOT.**

It is undisputed that the filing of respondent's complaint in this action commenced a civil action over which the district court had original jurisdiction under at least 28 U.S.C. § 1331. It is also undisputed that, at the time petitioner answered respondent's complaint, the district court had supplemental jurisdiction to hear petitioner's compulsory counterclaim under at least 28 U.S.C. § 1367(a). Petitioner's counterclaim challenged the validity of respondent's claim that it owns state and federal law trademark rights to exclude use of the shoe configuration depicted in the '905 Registration. The counterclaim sought declaratory and injunctive relief against respondent and an order directing the cancellation of the '905 Registration.

Because the district court concededly had jurisdiction to adjudicate petitioner's counterclaim at the time it was filed, respondent's motion to dismiss that counterclaim for lack of subject matter jurisdiction was governed by this Court's precedents on "postcommencement mootness." *Friends of the Earth*, 528 U.S. at 174. At issue here is whether respondent's voluntary conduct—the delivery of a covenant not to sue petitioner based on the appearance of certain shoe designs that existed on or prior to March 19, 2010—mooted petitioner's counterclaim.

In these circumstances, it was *respondent* that bore the burden of *disestablishing* the district court's jurisdiction on mootness grounds. *See, e.g., Adarand Constructors, Inc. v. Slater*, 528 U.S. 216, 221 (2000) (per curiam) (reversing judgment where Tenth Circuit "confused mootness with standing . . . and as a result placed the burden of proof on the wrong party.")

(quoting *Friends of the Earth*, 528 U.S. at 189); *Cardinal Chem.*, 508 U.S. at 98 & n.20.

Respondent's burden in this case was at least as heavy as the burden articulated by this Court's case law governing "voluntary cessation of a challenged practice." *Friends of the Earth*, 528 U.S. at 189 (quoting *City of Mesquite v. Aladdin's Castle, Inc.*, 455 U.S. 283, 289 (1982)). We say "at least as heavy" as that burden, because this case involves at most only *partial* voluntary cessation of the challenged activity.

The challenged activity in this case is not merely respondent's assertion of meritless infringement or dilution claims. To the contrary, petitioner's counterclaim challenges the validity of respondent's claimed ownership of state and federal trademark law rights to exclude competitors, in perpetuity, from selling a broad class of athletic shoe products, including any shoe whose sale could plausibly be characterized as likely to cause "dilution by blurring" (15 U.S.C. § 1125(c)(1)) of the shoe configuration depicted in the '905 Registration. Petitioner's counterclaim seeks judicial relief against respondent's false and invalid ownership claims, including declaratory and injunctive relief as well as cancelation of the '905 Registration.

As this Court held in *Altvater v. Freeman*, 319 U.S. 359, 363 (1943), "[t]hough the decision of non-infringement disposes of the bill [i.e., the complaint] and answer, it does not dispose of the counterclaim which raises the question of validity." This case is highly similar to the situation in *Altvater* where, despite an adjudication of noninfringement in the lower courts, the Court held that the validity issues "raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end . . . on the dismissal of the bill for non-

infringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit.” *Id.* at 363-64.

Here, as in *Altwater*, petitioner’s counterclaim goes “beyond” the infringement and dilution claims that respondent asserted; it challenges the validity of the purported trademarks that respondent asserted. Respondent’s unilateral covenant does not renounce or withdraw its disputed claims of trademark ownership. To the contrary, respondent’s unilateral covenant expressly *reasserts* respondent’s disputed claim that it “owns federal and common law rights in the design of NIKE’s Air Force 1 low shoe, including United States Trademark Registration Number 3,451,905.” JA96a.

Respondent’s unilateral covenant amounted in substance to an attempt to make petitioner an involuntary licensee under respondent’s disputed “trademark.” *Cf. De Forest Radio Tel. Co. v. United States*, 273 U.S. 236, 241-42 (1927) (consent to use of claimed invention constituted a “license”); *TransCore, LP v. Elec. Transaction Consultants Corp.*, 563 F.3d 1271, 1275 (Fed. Cir. 2009) (“this court and its predecessors have on numerous occasions explained that a non-exclusive patent license is equivalent to a covenant not to sue”).

Moreover, nothing in the covenant bars respondent from claiming that *new* shoes created by petitioner (where by “new” we mean shoes that are not colorable imitations of old designs) can be challenged as infringing or diluting the claimed trademark depicted in the ‘905 Registration. Because respondent ceased only a portion of the activity that petitioner’s counterclaim challenged, its burden to establish mootness must be at least as high as the burden for complete cessation.

As this Court has explained, a party’s voluntary cessation of a challenged practice does not necessarily

moot a pending case because “[a] controversy may remain to be settled in such circumstances, . . . e.g., a dispute over the legality of the challenged practices.” *United States v. W.T. Grant Co.*, 345 U.S. 629, 632 (1953). That is precisely the circumstance here, where the parties continue to dispute—and to dispute hotly—the validity of respondent’s claim that it owns perpetual state and federal rights to exclude competitors from selling shoes that embody the configuration set forth in the ‘905 Registration, and similar configurations, according to the standards of trademark law.

Furthermore, this Court has repeatedly explained that the high burden applied to voluntary cessation cases is necessary because otherwise “the courts would be compelled to leave ‘[t]he defendant . . . free to return to his old ways.’” *Friends of the Earth*, 528 U.S. at 189 (quoting *City of Mesquite*, 455 U.S. at 289 n.10 (quoting *W.T. Grant*, 345 U.S. at 632))). So here, when it sought dismissal of petitioner’s counterclaim, respondent made it very clear that it considers that it still has valid state and federal law rights to exclude imitation of the shoe configuration depicted in the ‘905 Registration and stands ready to assert those rights in the future as it has aggressively done in the past. In many respects respondent has not ceased its challenged activity at all, but has merely purported to license petitioner to sell certain 2+ year old shoe models that purportedly infringe or dilute the claimed trademark depicted in the ‘905 Registration.

Even if respondent were entitled to the establish mootness under the voluntary cessation doctrine, the “the standard . . . for determining whether a case has been mooted by the defendant’s voluntary conduct is stringent: ‘A case might become moot if subsequent events made it absolutely clear that the allegedly wrongful behavior could not reasonably be expected to

recur.” *Friends of the Earth*, 528 U.S. at 189 (quoting *United States v. Concentrated Phosphate Export Ass’n, Inc.*, 393 U.S. 199, 203 (1968)). As the *Friends of the Earth* Court noted, satisfaction of the “absolutely clear” test proves only that the case “might” be moot. *Id.*

The complete mootness test, as articulated by this Court in *County of Los Angeles v. Davis*, 440 U.S. 625 (1979), involves two prongs, both of which must be satisfied: “[J]urisdiction, properly acquired, may abate if the case becomes moot because (1) it can be said with assurance that “there is no reasonable expectation . . .” that the alleged violation will recur . . . , and (2) interim relief or events have completely and irrevocably eradicated the effects of the alleged violation.” 440 U.S. at 631. It is also absolutely clear that this burden is on the respondent. *See Friends of the Earth*, 528 U.S. at 189 (“The ‘heavy burden of persua[ding]’ the court that the challenged conduct cannot reasonably be expected to start up again lies with the party asserting mootness”).

Respondent here fails both prongs of the test articulated in *Davis*. With respect to this first part of the test, respondent continues to assert that it owns and stands willing to enforce its claimed state and federal trademark rights to exclude use of the shoe configuration depicted in the ‘905 Registration. Indeed, as discussed in part II, *infra*, the affidavits respondent submitted below show that (i) shoes embodying the claimed design are highly popular in the marketplace; (ii) numerous firms in the industry, including petitioner, have both the capability and economic interest in making a wide variety of shoes that respondent has asserted infringe its claimed rights; and (iii) such shoes are being kept off the market as a result of respondent taking aggressive enforcement actions under the color of the ‘905 Registration.

In multiple ways, respondent has also failed to prove that its unilateral covenant satisfied the second prong of the *Davis* test – that the covenant has “completely and irrevocably eradicated the effects of the alleged violation.” 440 U.S. at 631. First, respondent has failed to demonstrate that its claimed state and federal trademark rights impose no meaningful restriction on the business operations of firms, like petitioner, that remain active in the athletic footwear industry. To the contrary, the record shows that respondent has taken aggressive actions to enforce its purported trademark rights and stands ready and willing to do so in the future.

Second, respondent has not asked the PTO to cancel the ‘905 Registration. Petitioner’s counterclaim in this case alleged that respondent’s procurement of the ‘905 Registration was itself a violation of federal law. The effects of that violation of law will continue unless and until the ‘905 Registration is canceled and respondent agrees or is enjoined not to assert such purported trademark rights again in the future.

Third, in the courts below, petitioner requested an award of attorney’s fees to compensate it for the expenses of having to defend against respondent’s assertion of an invalid, federally registered trademark. In arguing against such an award, respondent relied on—and indeed, placed special emphasis on—its possession of a federal trademark registration as one reason for denying such an award. *See* Resp. C.A. Br. at 39 (arguing that attorney’s fees should not be awarded to petitioner “because ***NIKE possesses a federal trademark registration***) (italics and bold in original). Respondent’s reliance on the ‘905 Registration in opposing petitioner’s request for attorney’s fees is but one of many ways in which respondent is continuing to use that registration to harm petitioner.

The case law of this Court provides additional bases for imposing the burden of establishing mootness on respondent and for holding that, as a matter of law, respondent has failed to satisfy that burden. Even beyond the “voluntary cessation” line of cases, this Court has held that a party moving for dismissal bears the burden of establishing mootness. As explained by the Court in *Cardinal Chemical*, “while the initial burden of establishing the trial court’s jurisdiction rests on the party invoking that jurisdiction, once that burden has been met courts are entitled to presume, absent further information, that jurisdiction continues.” 508 U.S. at 98. Thus, in the circumstances of *Cardinal Chemical*, this Court explained: “If a party to an appeal suggests that the controversy has, since the rendering of judgment below, become moot, that party bears the burden of coming forward with the subsequent events that have produced that alleged result.” *Id.*

The court of appeals below and the Federal Circuit have held *Cardinal Chemical* to be “limited to the specific facts of that case.” Pet. App. 16a (quoting *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 78 F.3d 540, 546 (Fed. Cir. 1996)). The Second Circuit’s theory for limiting *Cardinal Chemical* is that the case should be construed as applying only to “the jurisdiction of an intermediate appellate court, not a trial court.” *Id.* (internal quotations omitted). Such a distinction is not theoretically sound. Article III of the Constitution imposes the same limits on the jurisdiction of all federal courts. There is not one case or controversy doctrine for intermediate appellate courts and another for trial courts. Indeed, constitutionally, both intermediate appellate courts and trial courts are “inferior Courts” that are wholly creatures of statute. Nothing in the text of the Constitution suggests that

appellate inferior Courts should have more leeway to issue advisory opinions than trial inferior Courts.

This Court's precedents have also held that a case does not become moot "[a]s long as the parties have a concrete interest, however small, in the outcome of the litigation." *Knox v. Serv. Emp. Int'l Union, Local 100*, 132 S. Ct. 2277, 2287 (2012) (quoting *Ellis v. Railway Clerks*, 466 U. S. 435, 442 (1984)). Here the parties have a very substantial concrete interest in the outcome of this litigation, and indeed one that is far more substantial than the interest held sufficient in *Knox*. The issue in *Knox* was "whether the First Amendment allows a public-sector union to require objecting nonmembers to pay a special fee for the purpose of financing the union's political and ideological activities." *Id.* at 2284. While *Knox* was pending in this Court, the respondent union "sent out a notice offering a full refund [of the challenged union fees] to all class members" in the case. Still, the case was not moot, this Court held, because there was a dispute about the format of the notice sent to the class members. The continuing injury of the union members was purely about information, *i.e.*, the manner in which the union "advertises" the availability of the refund.

At least as much remains at stake in this case. Respondent's federal registration continues to "advertise" its assertion of state and federal rights in what petitioner claims is trademark-ineligible subject matter. Indeed, the very covenant not to sue delivered by respondent also reasserts the validity of respondent's claimed trademark. As this Court has noted in *Cardinal Chemical*, a desire to avoid the threat of a presumptively valid "scarecrow" patent may itself be sufficient to establish even *initial* federal court

jurisdiction under the Declaratory Judgment Act. 508 U.S. at 96 (quoting *Bresnick*, 139 F.2d at 242).<sup>13</sup>

A judgment ordering cancelation of the '905 Registration and declaring invalid respondent's asserted state and federal trademark rights will therefore offer meaningful relief to petitioner, and that is more than sufficient to establish a continuing case or controversy under *Knox*. See 132 S. Ct. at 2287 (holding that a case does not become moot where a court can grant "any effectual relief whatever").

## II. RESPONDENT FAILED TO PROVE THAT THIS CASE, WHICH IT INITIATED, WAS RENDERED MOOT BY ITS COVENANT.

Under this Court's precedents, "Article III of the Constitution limits the federal judicial power to 'Cases' or 'Controversies,' thereby entailing as an 'irreducible minimum' that there be (1) an injury in fact, (2) a causal relationship between the injury and the challenged conduct, and (3) a likelihood that the injury will be redressed by a favorable decision." *United Food & Commercial Workers Local 751 v. Brown Group, Inc.*, 517 U.S. 544, 551 (1996).<sup>14</sup>

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<sup>13</sup> In the *Bresnick* case, the plaintiff had asserted just one of the eight claims of U.S. Patent No. 2,007,108 entitled "Medicinal Preparation." The Second Circuit nonetheless considered and "disposed of" other, unasserted claims, in recognition of the practical reality that the mere existence of an invalid patent can have anticompetitive effects, in the same way that a scarecrow can mislead birds. Precisely the same is true of an invalid trademark registration.

<sup>14</sup> Accord *Friends of the Earth*, 528 U.S. at 180-81; *Northeastern Fla. Chapter of the Assoc. Gen. Contractors of Am. v. City of Jacksonville*, 508 U.S. 656, 663-68 (1993); *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992); *Havens Realty Corp. v. Coleman*, 455 U.S. 363, 373-74 (1982); *Valley Forge Christian College v.*

In this case, petitioner contends that the '905 Registration represents unlawful Government agency action that invades petitioner's "federal right to 'copy and to use' . . . potentially patentable ideas which are fully exposed to the public," *Bonito Boats*, 489 U.S. at 165, and that gives false color to state and federal trademark claims which expose petitioner's business to substantial and unpredictable risks – as this case graphically demonstrates.

Not only does the '905 Registration constitute "prima facie evidence of . . . the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration," 15 U.S.C. § 1115(a),<sup>15</sup> but as this case illustrates, an athletic shoe can embody *none* of the structural features claimed in the '905 Registration and yet *still* be deemed by this respondent to constitute a "colorable imitation" (15 U.S.C. § 1114(1)(a)) of the so-called "trademark" depicted in the '905 Registration.

More than this, respondent contends that the purported trademark depicted in the '905 Registration is a "famous mark" and, as such, is entitled to protection against "dilution by blurring . . . , regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." 15 U.S.C. § 1125(c)(1). In contending that an unpatented shoe configuration is a "trademark" and, as such, entitled to

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*Americans United for Separation of Church and State, Inc.*, 454 U.S. 464, 471-76 (1982); *Duke Power Co. v. Carolina Environmental Study Group, Inc.*, 438 U.S. 59, 72-73 (1978).

<sup>15</sup> The text of 15 U.S.C. § 1115(a), like other provisions of the Trademark Act, illustrates how a "mark" must be distinct from "goods" on which it is placed. What the PTO did here was register "goods," not a "mark" that exists separately and independently of the "goods" to which it is applied.

the same perpetual protection against imitation as a mere word might be, this respondent claims extremely far-reaching, indeterminate, and perpetual rights of exclusion which plainly invade and conflict with petitioner's rights under federal patent law.

In *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), this Court considered an unfair competition claim identical, in principle, to the one that respondent asserted in this case. In *Sears*, the petitioner had copied Stiffel's then popular "pole lamp" design. Stiffel sought relief under state unfair competition law on the theory that "by selling copies of Stiffel's lamp Sears had caused confusion in the trade as to the source of the lamps and had thereby engaged in unfair competition under [state] law." *Id.* Stiffel prevailed in district court, which enjoined "Sears 'from unfairly competing with [Stiffel] by selling or attempting to sell pole lamps identical to or confusingly similar to' Stiffel's lamp." *Id.*

This Court reversed and held, not merely that the state unfair competition claim was invalid, but that it invaded the federal rights of Stiffel's competitors:

What Sears did was to copy Stiffel's design and to sell lamps almost identical to those sold by Stiffel. *This it had every right to do under the federal patent laws.* That Stiffel originated the pole lamp and made it popular is immaterial. "Sharing in the goodwill of an article unprotected by patent or trademark is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested."

376 U.S. at 231 (emphasis added) (quoting *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 122 (1938)). See also *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 238 (1964) (patent laws entitled petitioner to copy and

sell lighting fixtures embodying the design disclosed in invalid U.S. D176,367, notwithstanding district court findings that design was “nonfunctional” and had “secondary meaning”).

Petitioner presented evidence to the district court that the continued existence of the ‘905 Registration has tended to deter investment in petitioner’s athletic shoe business notwithstanding respondent’s covenant (JA 168a-170a; JA178a-180a, JA 181a-183a) and that respondent’s disputed claim of right to exclude sales of athletic shoes that resemble the shoe depicted in the ‘905 Registration has tended to deter retailers from buying petitioner’s “Sweet” shoe line. JA175a-177a. These commercial injuries were over and above the procedural disadvantages that the ‘905 Registration imposes on petitioner, including the PTO’s registration decision being “admissible in evidence” against petitioner, 15 U.S.C. § 1115(a), its constituting “prima facie evidence of the validity of the registered mark,” *id.*, its relieving respondent of evidentiary burdens of proof, 15 U.S.C. § 1125(a)(3), and its granting respondent the ability to seek “incontestable” rights in the claimed mark after 5 years. 15 U.S.C. § 1065. *See See Park ‘N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193-203 (1985) (“incontestable” registration held not subject to cancellation under 15 U.S.C. § 1119 where ground of cancellation was not available under 15 U.S.C. § 1064).

Registration of a mark on the PTO “principal register” further constitutes “constructive notice of the registrant’s claim of ownership thereof.” 15 U.S.C. § 1072. The ‘905 Registration is thus an official public record that nationally advertises the disputed claim of trademark ownership that respondent induced the PTO to register, and is incubating a new federal claim of right to “incontestable” status after June 24, 2013. No

covenant, no matter how broad, can eradicate the effects of such a registration, not least because it is impossible to know the identity of all persons who see the registration and draw conclusions from it.

Under this Court's precedents, mere *disadvantage* in business is sufficient to constitute "injury" that a federal court has authority to redress. *Cf. Northeastern Fla. Chapter of the Assoc. Gen. Contractors of Am. v. City of Jacksonville*, 508 U.S. 656, 664-66 (1993) (competitor had standing to challenge minority set-aside ordinance, whether or not competitor could establish that it would have actually been awarded a contract but for the ordinance); *Super Tire Eng'g Co. v. McCorkle*, 416 U.S. 115, 122 (1974) (claim challenging a statute entitling striking workers to public assistance not moot despite settlement of strike, where "brooding presence" of statute altered economic relationship between employer and employees). Establishing a mere *reserve* against a potential future claim has also been held to constitute "injury" sufficient to give rise to an Article III "controversy." *See Aetna Life Inc. Co. v. Haworth*, 300 U.S. 227, 239-44 (1937).

For its part, respondent submitted declarations to the district court (JA135a-167a; SA7-25) which tended to show that the controversy that concededly existed between the parties between July 16, 2009, and March 18, 2010, was rendered anything but "moot" by respondent's self-serving covenant. Respondent's declarations stated, not that the shoe configuration shown in the '905 Registration had no value, such that petitioner would not be adversely affected even though it was blocked from copying or using it, but to the contrary, that the claimed "trademark" was respondent's "best selling sneaker with sales of over approximately 100,000 pairs per month." JA130a.

Respondent's declarations further stated, not that respondent had renounced or abandoned the disputed trademark, but to the contrary, that petitioner had "served 15 cease and desist letters relating to the NIKE Mark" and "[t]he majority of these letters were served and complied with by summer 2009." JA137a. Respondent further stated that it had "secured three settlement agreements" which "removed four different brands and dozens of different colorways of infringing shoes from the marketplace." *Id.* Respondent also stated that it obtained a "consent judgment" and a "default judgment" against two other footwear companies. *Id.*

In asserting that the district court supposedly lacked jurisdiction to adjudicate petitioner's compulsory counterclaim, respondent did not even argue, and the courts below did not hold, that petitioner's counterclaim failed to allege (i) injury in fact, (ii) causation, and (iii) redressability, the three basic elements of an Article III "case" or "controversy" under this Court's precedents.

Instead, respondent argued, and the court below held (Pet App. 15a), that in order to remain in court on its compulsory counterclaim, petitioner bore the unusual burden of demonstrating the *opposite* of what its counterclaim sought to establish, namely, that respondent purportedly held some live non-frivolous claim against petitioner to which an affirmative defense of invalidity could be interposed. The Second Circuit faulted petitioner for not pre-disclosing new shoe product designs to respondent and identifying an "arguably infringing shoe." Pet. App. 15a n.5.

Contrary to the decision below, this Court's decision in *MedImmune* not only does not "require" (Pet. App. 16a), but actually rejects the mode of

analysis that was applied below. The plaintiff in *MedImmune* was a party to a patent license agreement with the defendant. During the term of the agreement, a dispute arose over whether the plaintiff owed royalties on account of a certain patent (the “Cabilly II patent”). The *MedImmune* plaintiff contended that invalidity of one or more Cabilly II patent claims excused any payment of royalties on account of that patent; the defendant expressed a contrary view. The plaintiff then paid the disputed royalties “under protest” and filed suit seeking, among other things, a declaratory judgment that its activities did not infringe the Cabilly II patent and so did not attract any royalty payment obligation. 549 U.S. at 121-22.

The *MedImmune* plaintiff complained of (1) injury in fact (overpayment of royalties under protest), (2) causation (the issuance of the Cabilly II patent induced the plaintiff to make the disputed royalty payments), and (3) redressability (a judgment invalidating the defendant’s patent claim would eliminate any purported obligation to pay royalties). The *MedImmune* plaintiff’s claim thus easily satisfied the three-part test for Article III standing set forth in *Friends of the Earth* and other of this Court’s Article III precedents cited in note 14 *supra*. In a 2005 panel decision, however, the Court of Appeals for the Federal Circuit, applying an unusual and controversial case law doctrine of its own making,<sup>16</sup> held that the *MedImmune* plaintiff purportedly lacked “standing to bring a declaratory challenge to the validity of the Cabilly II

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<sup>16</sup> See generally Lisa A. Dolak, *Declaratory Judgment Jurisdiction in Patent Cases: Restoring the Balance Between the Patentee and the Accused Infringer*, 38 B.C. L. Rev. 903, 903 (1997) (“the Federal Circuit has unduly impeded accused infringers’ access to the declaratory judgment remedy”).

patent” because it was “under no threat or apprehension of suit.” *MedImmune, Inc. v. Genentech, Inc.*, 427 F.3d 958, 965 (Fed. Cir. 2005), *rev’d*, 549 U.S. 118 (2007).

This Court granted *certiorari* in *MedImmune*, reversed the Federal Circuit’s judgment, and upheld the plaintiff’s Article III standing to maintain the action. 549 U.S. at 128-32 & nn. 8-11. This Court specifically disapproved and criticized what was then called “the Federal Circuit’s ‘reasonable apprehension of suit’ test.” *Id.* at 132 n.11. Ironically, it was this now-discredited Federal Circuit “reasonable apprehension of suit test” that gave birth to the evasive maneuver that respondent has attempted in this case: a post-suit “covenant” that eliminates “apprehension” of suit for alleged infringement and thus, supposedly, eliminates jurisdiction to award declaratory relief. *See Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058-59 (Fed. Cir. 1995) (applying the “reasonable apprehension of suit” test to hold that covenants not to sue for existing products can render moot counterclaims for patent invalidity).

Petitioner’s claim to Article III jurisdiction for its counterclaim is at least as good as the plaintiff’s claim to jurisdiction in *MedImmune*. Indeed, for several reasons, petitioner’s claim here is even better. First, petitioner here asserts a *compulsory counterclaim* in a civil action that the district court *partially adjudicated*.<sup>17</sup> By filing a complaint for alleged

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<sup>17</sup> “A dismissal with prejudice has the effect of a final adjudication on the merits favorable to defendant and bars future suits brought by plaintiff upon the same cause of action.” *Samuels v. Northern Telecom, Inc.*, 942 F.2d 834, 836 (1991) (quoting *Nemaizer v. Baker*, 793 F.2d 58, 60 (2d Cir. 1986)). The district court also adjudicated on the merits *part* of petitioner’s counterclaim (the statutory

infringement of the purported trademark depicted in the '905 Registration, respondent unquestionably commenced "an action involving a registered mark" within the meaning of 15 U.S.C. § 1119. The *nature* of this action as being one "involving a registered mark" (*id.*) did not change merely because respondent conceded defeat on its existing infringement claims. The district court's authority to adjudicate petitioner's compulsory counterclaim was not at all dependent on the fate of respondent's complaint. See *Cardinal Chem.*, 508 U.S. at 96, 99-103 (affirmance of judgment of non-infringement did not render moot defendant's counterclaim seeking judgment declaring asserted patent invalid); *Altvater*, 319 U.S. at 364-66 (same); *Moore v. New York Cotton Exchange*, 270 U.S. 593, 607-610 (1926) (dismissal plaintiff's federal antitrust complaint did not impair court's continuing jurisdiction to hear the defendant's state law compulsory counterclaim).

Second, unlike the *MedImmune* plaintiff, petitioner does not here assert a mere *defense* to a *putative* claim that respondent might assert in the future, but rather invokes the court's equity jurisdiction to award an *injunction* setting aside allegedly unlawful Government agency action and declaring that respondent has no valid state or federal rights to exclude use of the shoe configuration depicted in the '905 Registration. As compared with the claim that this Court held sufficient, in *MedImmune*, to make out an Article III "case" or

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claim to attorneys' fees). Respondent has never attempted to explain how the district court could properly *exercise* jurisdiction to dismiss respondent's complaint with prejudice and to reject a portion of petitioner's compulsory counterclaim, and then turn around and conclude that it lacked jurisdiction to hear the rest of petitioner's counterclaim.

“controversy,” petitioner’s counterclaim for injunctive relief presents an even clearer “controversy.”

Third, petitioner here asserts a right to relief that exists independently of any putative claim that respondent may have surrendered by virtue of its covenant not to sue, or that may have been extinguished by the district court’s dismissal of respondent’s complaint in this action with prejudice. PTO registration decisions have long been recognized as adversely affecting persons who have legitimate commercial interests in using a registered mark, both in civil actions falling within 15 U.S.C. § 1119, *see Bascom Launder Corp. v. Telecoin Corp.*, 204 F.2d 331, 335-36 (2d Cir. 1953) (ordering cancellation of a registration of generic term, “LAUNDERETTE”, notwithstanding the absence of any actual or threatened claim for alleged infringement), and in civil actions challenging trademark registration decisions under 15 U.S.C. § 1071(b). *See Aktieselskabet AF 21 v. Fame Jeans Inc.*, 525 F.3d 8, 13-14 (D.C. Cir. 2008). In neither situation is federal court jurisdiction dependent on a plaintiff showing that the registrant holds some non-frivolous claim for infringement or dilution

On multiple grounds, then, the record clearly establishes that the district court had jurisdiction to adjudicate whether petitioner was entitled to the relief sought in prayers (ii)-(vi) and (viii) of its compulsory counterclaim (JA57a-58a), just as the district court adjudicated and *awarded* petitioner the relief sought in prayer (i) of its counterclaim and adjudicated and *denied* the relief sought in prayer (vii) of its counterclaim seeking attorneys’ fees under 15 U.S.C. § 1117(a). The “Cases” requirement of Article III plainly did not prevent the district court from adjudicating the whole of petitioner’s compulsory counterclaim.

### III. THE RULE APPLIED BELOW SUBVERTS FEDERAL COURTS' IMPORTANT ROLE IN THE ADMINISTRATION OF FEDERAL PATENT AND TRADEMARK LAW.

The decision below is deeply inconsistent with “the strong federal policy favoring the full and free use of ideas in the public domain.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 674 (1969). As this Court noted in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 335 (1971), the presumptive validity of PTO grant decisions can create significant practical hurdles for competitors that seek to challenge the validity of such decisions. Registration of claims to trademark protection, like allowance of claims to patent protection, can lead to “considerable harassment” and “nuisance settlements.” *Id.* at 342. As a result, this Court has long followed a policy “encourag[ing] authoritative testing” of PTO decisions which follow an *ex parte* examination process. *Id.* at 344. *See also Cardinal Chem.*, 508 U.S. at 100 (relying on *Blonder-Tongue* to demonstrate that the Court has “emphasized the importance to the public at large of resolving questions” involving the validity of PTO grant decisions).

In light of this longstanding policy, this Court has repeatedly disapproved case law doctrines, like the one applied below, which restricted litigants’ ability to challenge in federal court the validity of claimed legal rights to exclude use of design and utilitarian conceptions. *See, e.g., MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 132 n.11 (2007) (overturning doctrine that federal court lacked jurisdiction to hear invalidity challenge if challenger was not in “reasonable apprehension of suit” for alleged infringement); *Cardinal Chem.*, 508 U.S. 83, 100-01 (overturning doctrine that validity challenge was rendered moot by af-

firmance of judgment of non-infringement); *Lear*, 395 U.S. at 670-71 (overturning doctrine that licensee was estopped from challenging validity of licensed patent); *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 256-58 (1945) (holding assignor should not be estopped from arguing that assigned patent was invalid in light of a previously expired patent).

Like the arguments and doctrines rejected in the cases cited above, the jurisdictional rule applied below imposes an improper and unnecessary limit on the authority of federal courts to hear legitimate challenges to the validity of claimed trademarks and to the legality of PTO registration decisions. As Circuit Judge Dyk wrote in *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1352 (Fed. Cir. 2007) (Dyk, J., dissenting):

(i) there is “a strong public interest” in permitting accused infringers to challenge the validity of claimed intellectual property rights, *id.* at 1350:

(ii) under this Court’s precedents, “once declaratory jurisdiction has been established, the burden shifts to the party seeking to divest the court of jurisdiction to prove that there is no longer a current case or controversy,” *id.* at 1352;

(iii) “[i]t is particularly inappropriate to place the burden of establishing continuing jurisdiction on [the party opposing dismissal] where, as here, the claim of mootness is the result of the opposing party’s acts designed, at least in part, to defeat declaratory jurisdiction,” *id.* at 1353; and

(iv) “[T]here is an important public interest in protecting the legal system against manipulation by parties, especially those prone to involvement in repeat litigation, who might contrive to moot cases that

otherwise would be likely to produce unfavorable precedents.” *Id.* (quoting Hart and Wechsler, *The Federal Courts and the Federal System* 204 (5th ed. 2003)).

The jurisdictional rule applied below severely weakens the authority of federal courts to police statutory limits on what can and cannot rightly be the subject of perpetual trademark protection. *Cf. Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 37 (2003) (rejecting interpretation of trademark law that would create “a species of perpetual patent”). The underlying claim to be adjudicated in this case raises important issues concerning the limitations that the federal patent law imposes on what can and cannot rightly be constituted a valid trademark and protected against imitation in perpetuity.

It has long been the law that a patentee cannot “secure, to any extent, a continuation of his monopoly by resorting to the trademark law and registering as a trademark any particular descriptive matter appearing in the specifications, drawing, or claims of the expired patent.” *Scott Paper*, 326 U.S. at 256. “*Sears and Compco* extended that rule to potentially patentable ideas which are fully exposed to the public.” *Bonito Boats*, 489 U.S. at 165. *See also Dastar*, 539 U.S. at 34 (“federal right to ‘copy and to use’” supported interpretation of 15 U.S.C. § 1125(a) which permitted free use of motion picture whose copyright had expired).

The present case well illustrates the importance of upholding traditional principles of federal court jurisdiction as applied to a challenge to an allegedly invalid trademark registration. Under federal patent law, the shoe structures depicted in the ‘905 Registration are “in the public domain and can be

copied in every detail by whoever pleases.” *Compco*, 376 U.S. at 238. Yet by registering those shoe structures as a purported trademark, the PTO has given color to a claim of right to exclude competition that is both (i) perpetual in duration and (ii) far broader and more vague than any valid patent rights could ever be, being unbounded by prior art or claim limitations.

Under the rule applied below, a person can secure federal registration of a false and invalid claim of trademark ownership, assert the invalid claim in federal court litigation, and then, if it appears that the claim is at risk of being exposed as invalid, unilaterally “pull the plug” on the entire litigation, thereby maintaining the registration as a “scarecrow,” *Cardinal Chem.*, 508 U.S. at 96 (quoting *Bresnick*, 143 F.2d at 242 (L. Hand, J.)), and preserving its practical utility as a means of deterring lawful competition and giving color to lawsuits that might otherwise attract sanctions. In this very case, even after delivery of its covenant, respondent cited the ‘905 Registration as justification for its failed lawsuit in the context of opposing an award of statutory attorneys’ fees under 15 U.S.C. § 1117.

The alleged “trademark” at issue is a shoe configuration that, under federal patent law, entered the public domain nearly 30 years ago. Whether that shoe configuration can rightly be deemed a “trademark,” and as such protected against imitation in perpetuity, is a question in which “the consuming public is deeply interested,” *Sears*, 376 U.S. at 231 (quoting *Kellogg*, 305 U.S. at 122), and that Article III of the Constitution permits a federal court to answer. The decision below takes an unduly restrictive view of Article III jurisdiction, and should be reversed.

## CONCLUSION

For the reasons set forth above, this Court should reverse the judgment of the Second Circuit and hold that, on the record of this case, the district court had Article III jurisdiction to adjudicate whether petitioner is entitled to the relief sought in prayers (ii)-(vi) and (viii) of its compulsory counterclaim filed November 19, 2009.

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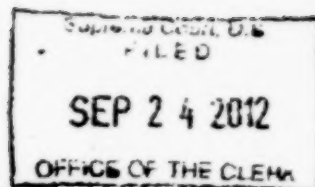
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# **RESPONDENT'S BRIEF**

RECORD  
AND  
BRIEFS

No. 11-982



IN THE  
*Supreme Court of the United States*

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ALREADY, LLC, D/B/A YUMS,  
*Petitioner,*  
v.

NIKE, INC.,  
*Respondent.*

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On Writ of Certiorari  
to the United States Court of Appeals  
for the Second Circuit

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**BRIEF OF RESPONDENT**

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September 24, 2012

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IN THE  
Supreme Court of the United States

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ALREADY, LLC, D/B/A YUMS,  
*Petitioner,*

v.

NIKE, INC.,  
*Respondent.*

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On Writ of Certiorari  
to the United States Court of Appeals  
for the Second Circuit

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**BRIEF OF RESPONDENT**

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Respondent Nike, Inc., respectfully requests that the Court affirm the judgment of the United States Court of Appeals for the Second Circuit.

## STATEMENT OF THE CASE

### I. Background

1. Respondent Nike designs, manufactures, and sells athletic apparel and equipment. Among Nike's best-known and best-selling sneakers of all time is the "Air Force 1 low" (AF1), first introduced in 1982. Nike sells millions of pairs of AF1 shoes every year, and it has produced the design in approximately 1700 color combinations. Pet. App. 2a.

Nike's AF1 has taken on a unique, iconic status in footwear. That status extends into American popular culture. The shoe is the subject of hit songs and music videos (*e.g.*, <http://youtu.be/BfzsMQGqrt0>) and frequent press coverage. The AF1's design as a consequence has taken on "secondary meaning" that directly associates the design of the shoe with Nike in the public's consciousness. Supp. J.A. SA-48.

It is settled that trade dress with such secondary meaning is entitled to trademark protection. *E.g.*, *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 209 (2000) (federal trademark protection extends "not just to word marks, such as 'Nike,' and symbol marks, such as Nike's 'swoosh' symbol, but also to trade dress" such as clothing designs); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 771 (1992) (restaurant décor). The classic example is the iconic Coca-Cola bottle. *See Wal-Mart Stores*, 529 U.S. at 215. Another is Apple's trademark on the shape and design of its iconic iPhone. U.S. Trademark Reg. No. 3,457,218.

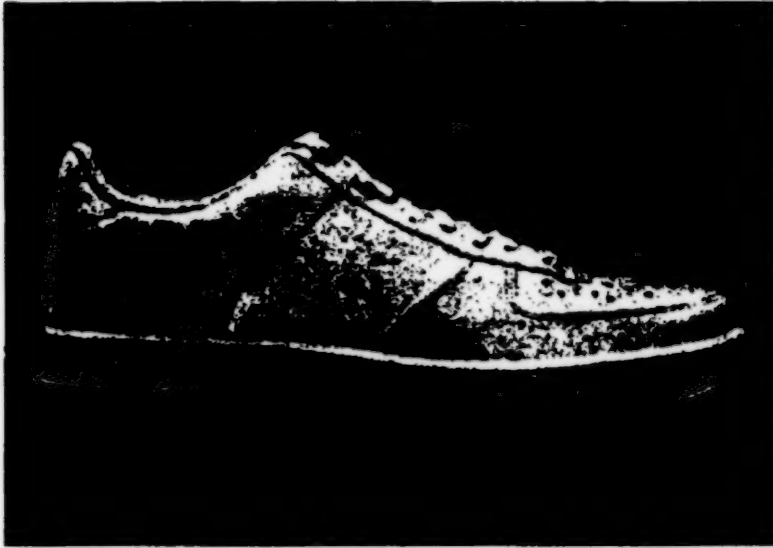
The U.S. Patent and Trademark Office accordingly issued Nike federal trademark registration No. 3,451,905, defined as:

the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on the top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other.

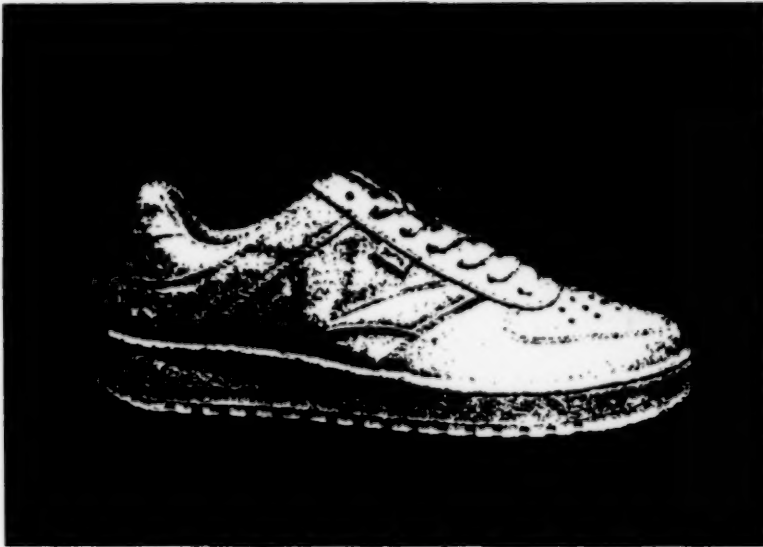
Supp. J.A. SA-1. (Nike's trademark rights in the AF1 design are collectively referred to herein as the "Mark.")

2. Around the twenty-fifth anniversary of the AF1's debut, Nike identified various knock-offs of the AF1's design, including respondent Already's "Soulja Boy Tell Em Signature" design (Soulja Boy). In October 2008, an article listed the Soulja Boy as the "#2" copy of the AF1 design. Supp. J.A. SA-16. A second article identified Already's shoe as "fake air force 1s." *Id.* SA-19. Particularly troubling to Nike in the context of that market perception, a third article explained that Already had hired two Nike shoe engineers to design its own shoes. *Id.* SA-22.

The record sets forth photographs of the two designs:



Nike Mark



Already "Soulja Boy"

By letter, Nike demanded that Already cease this perceived infringement of the Mark. Nike's demand was limited to the Soulja Boy shoe. Already rejected the demand. J.A. 158a-66a. At no point in its response or follow-up discussions did Already provide

Nike with any information regarding the extent of its sales or other information from which Nike would have concluded that the alleged infringement was not causing it material injury in the market.

## II. District Court Proceedings

1. Unable to resolve the matter informally at the outset, Nike filed suit against Already in July 2009, but did not initially serve the complaint. Nike alleged that the Soulja Boy design – and Already’s all-white “Sugar” version of the same design – infringed and diluted Nike’s Mark. *See* J.A. 31a-46a. (Because of the overwhelming similarity of the Sugar and Soulja Boy designs in all relevant respects, we henceforth refer to the Soulja Boy for simplicity.)

Already filed an answer on November 19, 2009, denying Nike’s allegations and specifically denying that its shoes infringed on the Mark. *Id.* 48a-54a. Already also filed a counterclaim seeking a declaratory judgment that the AF1 design “is not a valid trademark.” *Id.* 57a. Although Already challenged the Mark as functional, *id.* 54a (Third and Fourth Affirmative Defenses), its principal claims were founded on a sweeping challenge to the recognition of any trademark protection for product designs, *id.* (Answer ¶¶ 39-40 (First and Second Affirmative Defenses)); *id.* 55a-56a (Answer ¶¶ 47-48, 51-52 (Counterclaim)); *see also id.* 59a-71a.

Already thus argues that a clothing design cannot be a trademark because design features are “integral features of ‘goods’” rather than a symbol or device “used ‘on’ or ‘in connection with’ ‘goods.’” *Id.* 55a-56a (Answer ¶ 48) (quoting 15 U.S.C. § 1125(a)(1)); *see also* Pet. Br. 31 n.15. *But see Wal-*

*Mart*, 529 U.S. at 209-10 (reaffirming that clothing design can constitute a protectable mark). Already further advances the novel theory that the Lanham Act is unconstitutional to the extent that it provides trademark protection to product designs that are not patented (or are unpatentable). See, e.g., Pet. Br. 6 & n.5, 31-33. But see, e.g., *Wal-Mart*, 529 U.S. at 215 (noting that product designs are protectable under trademark law even though the owner often may also obtain “a design patent or a copyright of the design”); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 154 (1989) (“Trade dress is, of course, potentially the subject matter of patent designs. Yet our decision in *Sears* clearly indicates that the States may place limited regulations on the circumstances in which such designs are used in order to prevent consumer confusion as to source.”) (citing *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964)).

2. Soon after Already’s answer – before Already had provided any discovery – the parties met to discuss settlement. Already not only pressed its position that its Soulja Boy shoes did not infringe the Mark, but it also informed Nike about its business. Whereas it had initially appeared that major chains including Nordstrom, Foot Action, and Finish Line would carry Already’s shoes, in fact only Finish Line distributed them, and even it ceased doing so by April 2010.

After the meeting, Nike decided to end the litigation. Nike explained to the court that based on Already’s presentation in the settlement discussions, Nike had determined that Already’s very limited distribution made it “not truly a commercial threat.” J.A. 113a. Moreover, there had been no further

“associations between Already and Nike in the marketplace” and the “differences in design” between the companies’ shoes were more substantial than in other cases Nike had pursued. *Id.* 114a-15a. Conversely, continuing the litigation would be “incredibly expensive,” *id.* 115a, because it would “involve extensive discovery and costly infringement and dilution surveys, and Defendant’s tactics to date suggest that these proceedings will multiply,” Nike’s Mem. in Support of Motion to Dismiss 5 (filed Apr. 12, 2010).

To eliminate any concerns Already might have that Nike might reinstitute similar litigation at a future date, Nike provided Already with a “covenant not to sue” (the Covenant) and asked that its own claims be dismissed “with prejudice.” J.A. 95a, 135a. In the Covenant, Nike irrevocably promised not to sue Already or any affiliated entity on any federal or state trademark or unfair competition claim for alleged infringement of the Mark by any of the products covered by the Covenant. J.A. 96a-97a.

The Covenant applied not only to the shoes identified in Nike’s complaint, but also to any of Already’s past or current products. The Covenant further applied to any future Already product that constituted a “colorable imitation” of any of Already’s past or present shoes, and furthermore applied infinitely into the future to any shoe sold “after the Effective Date of this Covenant.” J.A. 96a-97a. The phrase “colorable imitation” is defined by statute to “include[] any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.” 15 U.S.C. § 1127.

Believing that the Covenant provided Already with complete protection from any prospect of suit for any relevant product it had made, was currently making, or had any plans to make, Nike moved to dismiss without prejudice Already's counterclaim. Already would therefore have the right to reinstate its claim if it changed its plans and sought to develop a relevant product that fell outside the scope of the Covenant yet created a genuine dispute with Nike over infringement of the Mark.

Already acquiesced in the dismissal of Nike's claims with prejudice but opposed dismissal of its own counterclaim. Already did not dispute that Nike's dismissal of its own claims with prejudice, together with the Covenant, extinguished any possible controversy between the parties arising from Already's production and marketing of its current or past products. But Already asserted that it had Article III standing to challenge the validity of Nike's mark because "the mere existence of a trademark registration certificate can cause injury to a person's business or property." Already's Mem. in Support of Summary Judgment 19 (filed Apr. 26, 2010).

Consistent with its legal theory, Already studiously avoided alleging that it had any desire to produce any potentially infringing product that would not be covered by the Covenant. Indeed, although Already submitted an affidavit from its president stating generally that the company frequently revises its product line, and was "currently developing eight (8) additional shoe lines," the affidavit (and Already's briefing in the district court) conspicuously failed to assert that any of those future revisions might be regarded as infringing

Nike's Mark, much less fall outside the scope of the Covenant. J.A. 173a. Already furthermore did not request that the district court either grant it discovery regarding Nike's future intention to enforce the Mark or conduct further fact-finding regarding Already's own intentions.

3. The district court granted Nike's motion to dismiss. The court first dismissed Nike's claims with prejudice "on consent" of the parties. Pet. App. 25a.

The court then held that in light of the Covenant there was no "actual controversy" over Already's counterclaims, because of the absence of any allegation – much less proof – that Already sought to produce a potentially infringing product that was not protected by the Covenant. *Id.* 26a. The court read the Covenant to "clearly extend[] to future sales of Defendant's current footwear designs, including the Sugar and Soulja Boy shoes, as well as to future sales of 'colorable imitations' of those shoes." *Id.* 29a. Further, Already's factual proof regarding its future intentions "describe[s] only forthcoming modifications of [existing] shoe lines. The March 19 covenant, however, covers all future 'colorable imitations' of the Sugar or Soulja Boy shoes, and the Court has *no indication* that any of [Already's] forthcoming models would extend beyond this broad language." *Id.* 31a (emphasis added). *See also id.* 29a (Already did not even "*allege*" an intention to make such a product (emphasis added)).

The district court also noted that its ruling left Already with a substantial opportunity to pursue its challenge to the validity of the Mark under a provision of the Lanham Act that allows "any person who believes that he is or will be damaged . . . by the

registration of a mark” to bring an administrative cancellation action. 15 U.S.C. § 1064. Finally, the district court held that Already was not entitled to any attorneys’ fees or costs because there was no showing of bad faith by Nike or any other exceptional circumstance. Pet. App. 39a (citing 15 U.S.C. § 1117).

### III. The Decision Of The Second Circuit

The Second Circuit affirmed, agreeing that no controversy remained in the case based on the “improbability of future infringement.” Pet. App. 1a. The court reasoned that under *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007), a sufficient Article III controversy exists to adjudicate a request for declaratory relief if “the adversity of legal interests that exists between the parties is real and substantial and admits of specific relief through a decree of conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.” Pet. App. 11a-12a. The court of appeals pointedly agreed with Already that *MedImmune* had held that a declaratory judgment plaintiff need not show in every case that “the defendant’s conduct created a real and reasonable apprehension of liability on the part of the plaintiff.” Pet. App. 11a (quoting *Starter Corp. v. Converse*, 84 F.3d 592, 595 (2d Cir. 1996) (per curiam) (emphasis added)). But the court explained that after *MedImmune* it remains critical to determine the “intention or lack of intention, on the part of the party asserting jurisdiction, to *engage in new activity or to develop new potentially infringing products* that arguably are not covered by the covenant.” *Id.* 13a (emphasis added).

Already argued that Nike had the burden to prove that it would not resume its conduct – *i.e.*, its enforcement of the Mark. The Second Circuit did not reach that question. Instead, it explained that Already's claim to standing failed at the threshold, because of the absence of any assertion by Already that *it* sought to produce a shoe that could create a controversy. Nike's "broad" Covenant, which "cover[s] both present and future products," "renders the threat of litigation remote or nonexistent even if [Already] continues to market or sell [its prior] shoes or significantly increases their production." *Id.* 14a. Further, Already has not even "*asserted* any intention to market" a potentially infringing shoe that fell outside the covenant. *Id.* (emphasis added). Nor had it requested a remand for further fact-finding or to supplement the record. "Given the absence of record evidence that [Already] intends to make any arguably infringing shoe that is not unambiguously covered by the Covenant," the court of appeals held that "this hypothetical possibility does not create a 'definite and concrete' dispute." *Id.* 15a n.5.

Finally, the Second Circuit affirmed the district court's denial of Already's request for attorneys' fees. *Id.* 20a. The court found no abuse of discretion in the finding that Nike had acted promptly and in good faith. *Id.*

### SUMMARY OF THE ARGUMENT

Already's counterclaim presents a justiciable controversy only if Already is threatened with a concrete harm. Nike's dismissal of its own claims with prejudice and its conveyance of the Covenant

eliminate any reasonable prospect of any controversy arising between the parties relating to any past or current Already shoe, or any future "colorable imitation" of those shoes. The justiciability of Already's purported claim accordingly depends on *its* own future conduct – specifically, its desire to produce a shoe that is not covered by the Dismissal and Covenant and thus that could give rise to a controversy. It is settled that Already itself must establish those intentions. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 561 (1992); *Lewis v. Continental Bank Corp.*, 494 U.S. 472, 477, 481 (1990).

This case presents no justiciable controversy because Already does not allege any desire to produce a shoe that might be regarded as infringing and yet is not encompassed within the scope of the judgment and Covenant. The district court found, and the court of appeals agreed, that Already had made no such allegation and submitted no such proof. Already does not challenge those findings.

Already's arguments that it nonetheless suffers an Article III injury all lack merit. The two cases on which Already relies are inapposite, or contradict its argument. *Altwater v. Freeman*, 319 U.S. 359, 364 (1943), held that a judgment that a patent is invalid does not render moot a counterclaim alleging the patent's invalidity when "the[] dispute went beyond the single claim and the particular accused devices involved in that suit." This is a very different case, because there is no allegation of a dispute between Nike and Already that extends beyond the shoes covered by the Covenant. *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83, 98 (1993),

held that when a district court properly exercises Article III jurisdiction to determine both a patent's validity and whether the patent is infringed, the court of appeals in turn has jurisdiction to consider both those questions. That rule does not aid Already, because in this case the Article III controversy ended before the district court considered the validity of the Mark.

Already's remaining arguments just reprise assertions that this Court has repeatedly rejected in other cases. The fact that the Mark generally affects shoe manufacturers is no substitute for the absence of any alleged injury suffered by the plaintiff in this case – Already. Already's very brief attempt to invoke declarations from potential investors that it submitted below ignores the correct conclusions of both lower courts that the declarations are speculative and misunderstand the broad protections from potential liability provided by the Covenant.

Already is not saved from its failure to establish its own future intentions by invoking the “voluntary cessation” doctrine. That doctrine relates to the future intentions of the *defendant* – here, Nike. If it applies, it would give rise to a presumption that Nike would later continue to enforce the Mark where its legal rights permitted. But that presumption would do nothing to support Already's claim to standing, which fails for lack of evidence of Already's own intentions.

In any event, the voluntary cessation doctrine is inapplicable, because it applies only when a defendant might moot a case by temporarily suspending the allegedly unlawful conduct that has injured the plaintiff, only to return later to its old

ways after the case is dismissed. But there is no such risk here, where the recurrence of any injury is precluded by a judicial judgment of dismissal and a judicially enforceable, irrevocable covenant.

For essentially the same reason, if the voluntary cessation doctrine does apply here, it is easily satisfied. There is no realistic prospect of Nike returning to the conduct that gave rise to this dispute by enforcing the Mark against Already.

Already's argument that this Court should adopt a new rule broadly permitting competitors standing in trademark cases is directly contrary to this Court's long-settled precedents interpreting Article III. In any event, the allegation that Nike could maintain a truly harmful invalid mark in perpetuity through strategic use of covenants not to sue is fanciful. Congress has provided broad access to an effective administrative cancellation remedy for anyone who "believes he is or will be damaged . . . by the registration." 15 U.S.C. § 1064. Further, Nike's ability to end declaratory judgment challenges to the validity of the Mark in district court by issuing covenants is limited by the doctrine of trademark abandonment: a mark may be cancelled if its holder too freely allows others to use it without actively supervising the production of the product, since in that circumstance the mark would lose its power to signify to consumers the true source of the product. Finally, to the extent a trademark owner files suit then issues a covenant not to sue in bad faith, a court has broad discretion to award the alleged infringers attorneys' fees and costs. Indeed, such an award was considered, and rejected, in this case because Nike acted in good faith.

## ARGUMENT

In its brief on the merits, Already abandons the erroneous premise of the petition for certiorari that Nike's Covenant is limited to Already's "then-existing commercial activities," Pet. i, and it does not repeat its completely false representation at the certiorari stage that the Covenant is "limited to products that petitioner had made or sold prior to" its issuance, *id.* 14. Already instead argues that, although the Covenant applies to future products, Already has no obligation to allege any desire to produce any potentially infringing product that is not covered by the Covenant. Instead, according to Already, Nike has the burden to disprove Already's intentions.

Those arguments lack merit. The following uncontroversial rule – rooted in basic Article III principles – disposes of this case: When a party dismisses its claims with prejudice and conveys a covenant not to sue that covers any dispute that could reasonably be expected to arise between the parties in the future, there is no Article III jurisdiction to decide the case.

**I. In The Wake Of Nike's Dismissal Of Its Own Claims With Prejudice And Its Comprehensive Covenant Not To Sue, There Is No Article III Jurisdiction To Adjudicate This Case, Including Already's Invalidity Counterclaim.**

**A. To Establish Article III Jurisdiction, A Plaintiff Alleging That A Trademark Is Invalid Must At The Very Least Allege A Desire To Make A Product That Reasonably Could Give Rise To A Controversy Over The Mark.**

Article III of the Constitution grants the federal courts the power "to decide legal questions only in the context of actual 'Cases' or 'Controversies.'" *Alvarez v. Smith*, 130 S. Ct. 576, 580 (2009). The "case or controversy" requirement is central to the Constitution's division of authority among the branches of government, reflecting the "common understanding of what activities are appropriate to legislatures, to executives, and to courts." *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 102 (1998) (quoting *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 559-60 (1992)).

The federal courts accordingly have jurisdiction to adjudicate disputes only at the insistence of a plaintiff who proves he or she personally has "suffered, or [is] threatened with, an actual injury traceable to the defendant and likely to be redressed by a favorable judicial decision." *Lewis v. Continental Bank Corp.*, 494 U.S. 472, 477 (1990). The "injury in fact" sufficient to invoke the limited powers of the federal courts must be "concrete and particularized,"

and “actual or imminent, not ‘conjectural’ or ‘hypothetical.’” *Lujan*, 504 U.S. at 560 (quoting *Whitmore v. Arkansas*, 495 U.S. 149, 155 (1992)).

“This case-or-controversy requirement subsists through all stages of federal judicial proceedings.” *Lewis*, 494 U.S. at 477. “This means that, throughout the litigation, the plaintiff ‘must have suffered, or be threatened with, an actual injury traceable to the defendant and likely to be redressed by a favorable judicial decision.’” *Spencer v. Kemna*, 523 U.S. 1, 7 (1998) (quoting *Lewis*, 494 U.S. at 477). Whether considered under the rubric of “standing,” “ripeness,” or “mootness,” the requirement of an ongoing, non-speculative threat of actual or imminent injury remains. See, e.g., *DaimlerChrysler Corp. v. Cuno*, 547 U.S. 332, 352 (2006).

When Article III standing depends on the plaintiff’s own future conduct, then the plaintiff of course bears the burden of demonstrating its intentions. Article III is not satisfied when “the plaintiff alleges only an injury at some indefinite future time, and the acts necessary to make the injury happen are at least partly within the plaintiffs’ own control.” *Lujan*, 504 U.S. at 564 n.2. The Constitution instead requires that the plaintiff suffer or risk a particularized injury that is “actual or imminent.” *Id.* at 560.

In *Lujan*, the Court held that there was no jurisdiction because the plaintiffs would suffer an Article III injury only if they returned to Sri Lanka, but had expressed nothing more than a generalized intent to travel there some time in the future. “Such ‘some day’ intentions – without any description of concrete plans, or indeed even any specification of

when the some day will be – do not support a finding of the ‘actual or imminent’ injury that our cases require.” 504 U.S. at 564.

Likewise, in *Lewis v. Continental Bank*, statutory revisions mooted a bank’s challenge to a state banking regulation. In opposing dismissal, the bank noted that the controversy would recur if it changed its business plan to operate as “an uninsured rather than an insured” bank. 494 U.S. at 479. This Court held that the mere possibility that the bank could run its business in a way that would provoke a live controversy was insufficient: “the mere power to seek is not an indication of the intent to do so, and thus does not establish a particularized, concrete stake that would be affected by our judgment.” *Id.* The bank’s challenge to Florida law’s “application to an uninsured bank that it has neither applied for *nor expressed any intent to apply for* amounts to a request for advice as to ‘what the law would be upon a hypothetical state of facts.’” *Id.* (citation omitted, emphasis added).

In *MedImmune*, 549 U.S. at 122-23, 127, the Court applied the requirement that the plaintiff must identify a non-speculative injury in the context of a patent licensee’s suit for a declaratory judgment that a patent was invalid. The plaintiff alleged that it had standing because it sought to make an arguably infringing product (*i.e.*, that was its future intention), and it was injured by the prospect of either paying license fees or facing liability for infringement. This Court rejected the Federal Circuit’s holding that no justiciable controversy existed because the license eliminated any “reasonable apprehension” that the plaintiff would soon be sued for infringement. Of

note, this Court did not suggest that standing existed on the broad theory that any competitor can challenge the intellectual property rights of its competitors. Instead, it reaffirmed and applied its prior holding that in order for the federal courts to have jurisdiction, the dispute must

be “definite and concrete, touching the legal relations of parties having adverse legal interests”; and that it be “real and substantial” and “admit of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.”

*Id.* at 127 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-41 (1937) (alteration omitted)).

Applying that standard, the Court held that it was not dispositive that there was no prospect that litigation would immediately break out between the parties. Instead, the plaintiff-licensee had standing because it faced a non-speculative risk of injury no matter what it did: if it continued to pay royalties, it suffered that financial loss; and if it stopped paying, the plaintiff “allege[ed] (without contradiction) a threat . . . to enjoin sales.” *Id.* at 128.<sup>1</sup>

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<sup>1</sup> Notably, the decisional law establishes that lower courts have had no trouble applying *Medimmune* principles when determining that a sufficiently broad covenant like Nike’s eliminates an Article III case or controversy. See *Dow Jones & Co. v. Abblaise Ltd.*, 606 F.3d 1338, 1345-46 (Fed. Cir. 2010) (covenant not to sue divested court of jurisdiction over declaratory judgment claims for patent invalidity and non-

**B. This Case Presents No Article III Controversy Because Already Has Not Even Alleged That It Faces A Non-Speculative Threat Of Injury.**

1. This Court's precedents establish that there is no Article III jurisdiction in this case because Already does not even allege a desire to produce a product that is not encompassed within the Covenant and the dismissal of Nike's claims. There was a concrete dispute between the parties when Nike filed its suit because Already was actively producing the Soulja Boy Shoe. But although the district court had jurisdiction the "day before" Nike issued the Covenant, Pet. Br. 20, the parties' dispute was conclusively resolved when Nike covenanted not to sue Already again over the Soulja Boy design and dismissed its claims with prejudice.

The with-prejudice dismissal of Nike's claims results in a judgment on the merits in Already's favor

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infringement); *Barco N.V. v. Tech. Props. Ltd.*, No. 08-5398, 2010 WL 604673, at \*2 (N.D. Cal. Feb. 19, 2010) (same, patent invalidity); *Furminator, Inc. v. Ontel Prods. Corp.*, 246 F.R.D. 579, 590-92 (E.D. Mo. 2007) (same, patent and trademark invalidity); *Global DNS, LLC v. Kook's Custom Headers, Inc.*, No. C08-0268RSL, 2008 WL 4380439, at \*3-\*4 (W.D. Wash. Sept. 22, 2008) (same, trademark invalidity); *Crossbow Tech., Inc. v. YH Tech.*, 531 F. Supp. 2d 1117, 1120-21 (N.D. Cal. 2007) (same, patent invalidity); *see also, Ciber, Inc v. Ciber Consulting, Inc.*, 326 F. Supp. 2d 886, 888-89 (N.D. Ill. 2004) (pre-*Medimmune* case relying on the Supreme Court's decision in *Aetna Life Ins.*, finding that covenant defeated Article III case or controversy where purported claim of continued harm from existence of trademark was speculative).

that the Soulja Boy shoe does not infringe the Mark. Under settled claim preclusion principles, the dismissal bars any subsequent infringement action based on claims Nike made or could have brought in its original action. *See, e.g., San Remo Hotel, L.P. v. City & Cnty. of San Francisco*, 545 U.S. 323, 336 n.16 (2005). The Covenant includes not only the shoe that gave rise to the initial lawsuit, but also any other product that might reasonably give rise to a trademark dispute between the parties in the future: the shoes Already then made, any shoe it had ever previously made, and any later “colorable imitation” of any of Already’s shoes. The Covenant is irrevocable, judicially enforceable, and applies indefinitely in the future. J.A. 97a.

Thus, as the court of appeals explained, the “language of the Covenant is broad, covering both present *and future* products.” Pet. App. 14a (emphasis added). It covers current and previous designs as well as “any *colorable imitations thereof*, regardless of whether the footwear is produced . . . before *or after*” the date of the Covenant. J.A. 97a (emphasis added). The phrase “colorable imitation” is a term of art, defined in the Lanham Act to include “any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.” 15 U.S.C § 1127.<sup>2</sup>

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<sup>2</sup> The facts of this case are therefore very different from those in the Federal Circuit case that gave rise to the dissent by Judge Dyk on which Already relies. *See* Pet. Br. 41 (citing *Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340 (Fed. Cir. 2007), *cert. denied*, 553 U.S. 1014 (2008)). In that case, the

To be sure, the Covenant has limits. Nike explained below, and the Second Circuit accepted, Pet. App. 15a n.5, that it does not extend to a counterfeit of Nike's Mark. Nor does it apply to a shoe that is sufficiently different that it is not a covered "colorable imitation" of any past or current Already product. That shoe would not be protected by the Covenant, but of course would not give rise to a claim of infringement unless it amounted to a colorable imitation of the Mark or sufficiently confused the public. A pair of green galoshes, for example, would be beyond the scope of the Covenant, but there would be no risk of such shoes provoking infringement litigation by Nike.

The dispositive fact in this case is that, despite every opportunity to do so, Already did not allege in the district court (or even on appeal) that it had any plans or desire to produce a product that is not covered by the Covenant or encompassed within the *res judicata* effect of the judgment in its favor. Quite the contrary. In opposition to Nike's motion to dismiss, Already submitted an affidavit from its president, who described Already's frequency of new design releases and stated that Already was presently working on eight new lines of shoes. J.A. 171a-74a. But he conspicuously did *not* assert that any of those designs would even arguably fall outside the scope of the Covenant, much less fall outside the Covenant and resemble the AF1 in any meaningful

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patent holder dismissed its infringement claims "*without prejudice*" and "*did not* offer a formal covenant not to sue." 495 F.3d at 1351 (Dyk, J., dissenting) (emphasis added).

way. Already presented no other evidence of its future plans.

As the district court explained, Already's evidence was limited to "forthcoming modifications of [existing] shoe lines. The March 19 Covenant, however, covers all future 'colorable imitations' of the Sugar or Soulja Boy shoes, and the Court has *no indication* that any of [Already's] forthcoming models would extend beyond this broad language." Pet. App. 31a (emphasis added). Even at the very late stage of its merits brief in this Court, although Already states that in the *past* it developed forty-five shoe designs and marketed five of them, Pet. Br. 2, it makes no representations about its *future* desires or intentions.

After reviewing the evidence submitted by both parties, the district court made the factual finding that there was "no indication that any of [Already's] forthcoming models would extend beyond [the Covenant's] broad language." Pet. App. 31a. Reviewing the same record on appeal, the Second Circuit easily concluded that no controversy could arise, given that Already has not even "*asserted* any intention to market any such shoe." *Id.* 14a (emphasis added). It thus relied squarely on the "absence of record evidence that [Already] intends to make any *arguably* infringing shoe that is not *unambiguously* covered by the Covenant." *Id.* 15a n.5 (emphasis added).

"Where an intermediate court reviews, and affirms, a trial court's factual findings, this Court will not 'lightly overturn' the concurrent findings of the two lower courts." *Easley v. Cromartie*, 532 U.S. 234, 242-43 (2001). This is not such an extraordinary case, because Already did not raise the factual

question of its future plans as an issue in the petition for certiorari, and even in its merits briefing Already does not seriously assert that the lower courts were wrong. Thus, Already said, for example, that there are sound reasons why a shoe company might have the “capability and economic interest” in making shoes that could infringe Nike’s Mark. Pet. Br. 26; *see also id.* 34-35 (noting commercial value of the design). But it did not actually say that Already itself has any interest in making such a shoe. And in any event, it is far too late in the case for Already to make that factual claim now.

For those reasons, Already is wrong to argue the Second Circuit applied the “reasonable apprehension of suit” standard applied by the Federal Circuit in *Super Sack Manufacturing Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1059 (Fed. Cir. 1995), which Already asserts this Court rejected in *MedImmune*. In fact, the Second Circuit read *MedImmune* to eliminate the “reasonable apprehension” requirement. Pet. App. 11a. The court of appeals did not rely on any predictive judgment about Nike’s behavior, and thus did not believe there was insufficient proof that Nike would later sue Already. Instead, the flaw in Already’s claim to standing was the absence of “evidence of intention, or lack of intention, on the part of the party asserting jurisdiction, to engage in new activity or to develop new potentially infringing products that arguably are not covered by the covenant.” Pet. App. 13a. The court of appeals correctly held that this case does not present a justiciable dispute because *Already*

provided no proof that its own conduct could give rise to any dispute of any kind.<sup>3</sup>

Already also complains that it should not have to “pre-disclose” its future plans to obtain a declaratory judgment. Pet. Br. 35. But “[t]he requirements of case or controversy are of course no less strict under the Declaratory Judgments Act than in case of other suits.” *Altwater v. Freeman*, 319 U.S. 359, 363 (1943). And as *Lujan* and *Lewis*, *supra*, illustrate, this Court has repeatedly required exactly that when those plans are the predicate for the plaintiff’s injury-in-fact. Here, Already’s refusal to say that it has any

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<sup>3</sup> The United States reads *MedImmune* to require that the plaintiff face a “genuine threat of enforcement” of the right, U.S. Br. 8, though the threat need not be “imminent,” *id.* 15. This case does not present that question.

The fact that Already does not even allege a *desire* to produce a product that could give rise to a dispute over the Mark also makes it unnecessary to decide in this case what degree of preparation on behalf of the plaintiff is required in order to give rise to Article III standing. This is the easy case in which the plaintiff’s position is unqualified. Compare, e.g., *Vantage Trailers, Inc. v. Beall Corp.*, 567 F.3d 745, 751 (5th Cir. 2009) (no standing where challenger’s design was not “substantially fixed as to the potentially infringing elements”) with U.S. Br. 25 n.5 (“[I]t is sufficient if the plaintiff establishes that it plans to engage in conduct that it believes remains under the threat of enforcement.”). Although the district court asked whether Already had “taken any ‘meaningful preparatory steps’ to create shoes that could potential infringe the Nike Mark,” Pet. App. 30a, the Second Circuit correctly found no need to address the precise degree of planning required because Already had “not asserted any intention to market” a shoe that “would potentially infringe [Nike’s] mark and yet not fall under the Covenant,” *id.* 14a.

intent to produce a shoe subject to a claim of infringement under Nike's Mark, despite the Covenant, amounts to a request for an advisory opinion.

2. In sum, this case presents no justiciable controversy because Already's Article III standing depends on its own future intentions, and Already did not allege any desire to produce a product that could give rise to a dispute with Nike. Already has failed to identify *anything* concrete that it is presently inhibited from doing, and that it would do differently, if it won its counterclaim.

Two illustrations demonstrate the implausibility of Already's contrary conception of Article III standing. First, simply reverse the parties' litigating positions. Obviously, there would not now be Article III jurisdiction over a suit by Nike against Already for a declaration of Nike's trademark rights, absent some proof that Already intended to make an infringing product not covered by the Covenant. That is because no controversy remains between the parties. Yet Already's own suit depends on that same controversy arising from Already's future intentions.

Second, consider Already's counterclaim seeking a declaration that the Soulja Boy shoe does not *infringe* the Mark, J.A. 57a-58a (¶¶ iv-v), which Already continues to pursue, Pet. Br. 1. Given the Covenant, plainly no controversy remains over that question. Yet on Already's sweeping theory of Article III standing, the district court presumably would retain jurisdiction over that counterclaim.

**C. There Is No Merit To Already's Contrary Argument That It Has Been Injured Despite The Absence Of Any Desire To Produce A Product That Could Give Rise To A Controversy Over The Mark.**

1. Already alleges that two of this Court's precedents establish that the case presents a continuing Article III controversy. *Altwater v. Freeman*, 319 U.S. 359, 360 (1943), was one of a series of suits brought by a patentee against its licensee over several of the licensee's products. In the case before this Court, the patentee alleged that it was due payments under the license. The licensee argued that the license did not apply to the patent and also counterclaimed seeking, *inter alia*, a declaratory judgment that the patent was invalid. *Id.* at 361. The court of appeals found that the license was inapplicable and that the challenged product did not infringe one claim of the patent. See *id.* at 362. It held that those findings mooted the licensee's request for a declaratory judgment of invalidity.

This Court reversed. It reasoned that the counterclaim must present an Article III controversy, but a justiciable controversy remained "since their dispute went beyond the single claim and the particular accused devices involved in that suit." *Id.* at 363-64. Given the licensee's other products, "[a] controversy was raging, even apart from the continued existence of the license agreements . . . That controversy concerned the validity of the reissue patents. Those patents had many claims in addition to the single one involved in the issue of

infringement. And petitioners were manufacturing and selling additional articles claimed to fall under the patents.” *Id.* at 364-65. In addition, the judgment of invalidity would determine the effect of a prior injunction requiring the licensee to pay royalties to the patentee, a fact that the Court found “underlines and gives added emphasis to the claim that there is a controversy between the parties . . . .” *Id.* at 365 n.5.

Already argues that “[h]ere, as in *Altwater*, petitioner’s counterclaim goes ‘beyond’ the infringement and dilution claims that [Nike] asserted; it challenges the validity of the purported trademarks that respondent asserted.” Pet. Br. 24. But this Court’s decision in *Altwater* did not rest on the breadth of the licensee’s *claims*; instead, it turned on the parties’ ongoing *dispute*. In that case, unlike this one, the determination of whether the patent was valid remained a live controversy because the patent was being enforced against *other* products of the licensee, and furthermore the licensee was being required to pay royalties. As this Court later recognized in *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83 (1993), *Altwater* “emphasized . . . the ongoing nature of the *Altwater* parties’ dispute”: “the counterclaimant was a licensee, and there was no question but that its obligations to the patentee would continue unless the patent were found invalid.” *Id.* at 94, 100 n.22. There is no such allegation in this case, and hence no justiciable controversy.

Already also relies on *Cardinal Chemical*. There, the district court held that the respondent’s patent was both not infringed and invalid. 508 U.S. at 86.

The court of appeals affirmed the former finding, and on that basis vacated the latter holding as moot. *See id.* at 87. Recognizing that it was “perfectly clear that the District Court had jurisdiction to entertain Cardinal’s counterclaim for a declaratory judgment of invalidity,” *id.* at 96, this Court held:

The Federal Circuit’s decision to rely on one of two possible alternative grounds (noninfringement rather than invalidity) did not strip it of *power* to decide the second question, particularly when its decree was subject to review by this Court. Even if it may be good practice to decide no more than is necessary to determine an appeal, it is clear that the Federal Circuit had jurisdiction to review the declaratory judgment of invalidity. The case did not become moot when that court affirmed the finding of noninfringement.

*Id.* at 98. The Court’s decision thus addressed “the jurisdiction of an intermediate appellate court – not the jurisdiction of either a trial court or this Court.” *Id.* at 95.<sup>4</sup>

Already asserts that *Cardinal* “emphasized ‘the importance to the public at large of resolving

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<sup>4</sup> *Cardinal* carefully distinguished (a) the obligations of a party like *Already* that is seeking a declaratory judgment to demonstrate that its ongoing business activities could give rise to a dispute from (b) the distinct obligations of “a successful litigant” that has secured a judgment of invalidity and merely “seek[s] an affirmance of a declaratory judgment.” *Id.* at 100 n.22.

questions' involving the validity" of intellectual property rights. Pet. Br. 40 (quoting 508 U.S. at 99-100). But that language does *not* appear in *Cardinal's* discussion of Article III standing. Rather, that discussion came only after the Court resolved "the 'case or controversy' requirement of Article III"; it then addressed whether there were "other grounds" for not deciding the question of validity. 508 U.S. at 99. Here, *Cardinal* is no help to *Already*, because this case does not concern the jurisdiction of the court of appeals and because Article III jurisdiction was lacking before the district court decided the validity of Nike's Mark.

Although it lacks any support in this Court's precedents, *Already* claims that Article III standing exists to decide this case because a "registered claim of state and federal trademark law rights purports to impose a direct, continuing restraint on the conduct of petitioner's athletic footwear business." Pet. Br. 20. The record belies this argument: *Already* does not allege that the Mark now inhibits it from doing anything in particular, or that it would do anything differently if it prevailed.

In any event, nearly every statute imposes a "restraint on the conduct" of regulated parties. *Id.* That does not mean that everyone subject to the statute has automatic standing to challenge its validity. Quite to the contrary, this Court has long held that the validity of the statute may only be challenged by those who face a "genuine threat of enforcement," see *MedImmune*, 549 U.S. at 129 (collecting cases), even when it is alleged that the statute "invades" a "federal right" under the Constitution. Pet. Br. 31.

Thus, although a criminal statute plainly places a restraint on individual conduct, standing to challenge the statute, even on constitutional grounds, requires that the plaintiff prove both “an intention to engage in a course of conduct arguably affected with a constitutional interest, but proscribed by a statute” and that “there exists a credible threat of prosecution thereunder.” *Babbitt v. United Farm Workers Nat’l Union*, 442 U.S. 289, 298 (1979). A sufficiently broad Covenant not to sue eliminates jurisdiction precisely because it removes any genuine threat of enforcement of the Mark and lifts any “continuing restraint” on the conduct covered by its terms.

It makes no difference that Already “continue[s] to dispute” the Mark’s validity. Pet. Br. 25. “[A] dispute solely about the meaning of a law, abstracted from any concrete actual or threatened harm, falls outside the scope of the constitutional words ‘Cases’ and ‘Controversies.’” *Alvarez*, 130 S. Ct. at 580-81.

Already insists that the controversy cannot be over because it did not get everything it wants or all it might obtain in litigation – namely, invalidation of the Mark. Pet. Br. 24. But the constitutional question is whether Already’s injury-in-fact persists after the judgment in Already’s favor and after the Covenant, not whether litigation might have remedied that injury differently.

For example, in *Weinstein v. Bradford*, 423 U.S. 147 (1975), a prisoner filed suit challenging the constitutional adequacy of North Carolina’s parole procedures. Had his case gone to trial and he prevailed, he would have obtained a declaration that the procedures were invalid, which would have benefitted not only him, but also all other parole

applicants. Nonetheless, this Court held that the case was moot when the plaintiff was paroled and subsequently discharged from supervision. *Id.* at 148. In light of that development, it was “plain that [the plaintiff] can have no interest whatever in the procedures followed by [North Carolina] in granting parole.” *Id.* The Court so held even though the plaintiff’s parole did not give him everything he had asked for, or would have been entitled to had he prevailed at trial. That fact was immaterial because the release eliminated any Article III injury particular to the plaintiff. And his broader desire to see the parole procedures invalidated for the benefit of others was insufficient to keep the case or controversy alive. *See also, e.g., Taylor v. McElroy*, 360 U.S. 709, 711 (1959) (granting of a security clearance rendered moot the plaintiff’s challenge to clearance procedures).

Already also suggests that trademark standards are so vague, and Nike purportedly so litigious, it could reasonably fear suit no matter what its future shoes look like. Pet. Br. 31. But Already’s alleged fears lack any actual basis. *See* J.A. 32a (district court noting that the only other trademark litigation ever commenced between Nike and Already was brought by Already), 39a (finding no basis to conclude Nike brought suit in bad faith). And this Court has been clear that speculative fears of future injury are insufficient to establish Article III jurisdiction. “A hypothetical threat is not enough.” *United Pub. Workers of Am. v. Mitchell*, 330 U.S. 75, 90 (1947). *See, e.g., City of Los Angeles v. Lyons*, 461 U.S. 95, 107 n.8 (1983) (“It is the *reality* of the threat of repeated injury that is relevant to the standing

inquiry, not the plaintiff's subjective apprehensions.") (emphasis in original); *Babbitt*, 442 U.S. at 298 ("[P]ersons having no fears of state prosecution except those that are imaginary or speculative, are not to be accepted as appropriate plaintiffs.") (quoting *Younger v. Harris*, 401 U.S. 37, 42 (1971)).

Given that Already does not allege any intention to produce such a product, the possibility that at some point in the future Nike might "allege new equitable claims, presumably arising out of other events" is a "mere 'speculative contingency,'" not "sufficiently real and immediate to show an existing controversy." *Deakins v. Monaghan*, 484 U.S. 193, 200 n.4 (1988) (quoting *Hall v. Beals*, 396 U.S. 45, 49 (1969); *O'Shea v. Littleton*, 414 U.S. 488, 496 (1974)). Cf. *City News & Novelty, Inc. v. City of Waukesha*, 531 U.S. 278, 285 (2001) ("[A] live controversy is not maintained by speculation that City News might be temporarily disabled from reentering a business that City News has left and currently asserts no plan to reenter.").

Finally, Already argues that even in the wake of the judgment and the Covenant it is "impossible to know the identity of all persons who see [a] registration and draw conclusions from it." Pet. Br. 34. According to Already, some of them might be investors and some of those might believe that Already's shoes might infringe that mark. And although Already has every incentive to make all of them aware of its immunity from suit, some might slip through the cracks. Perhaps. But again, the hypothesized injuries depend on all manner of contingencies and independent decisions of third parties. And that is insufficient. See, e.g., *Bennett v.*

*Spear*, 520 U.S. 154, 167 (1997); *O'Shea*, 414 U.S. at 498.

In a single sentence, Already claims that these injuries are not hypothetical and that it provided specific "evidence to the district court that the continued existence of the '905 Registration has tended to deter investment in petitioner's athletic shoe business notwithstanding respondent's covenant." Pet. Br. 33. Already has effectively abandoned any reliance on the affidavits, which it did not cite in the cert. petition and mentions in only a single sentence of the argument in its merits brief. Both the Court and Nike are at a substantial disadvantage in understanding what role Already believes the declarations play in establishing its standing.

In any event, the most the investors were willing to say in these boilerplate statements was that they would "consider" making an investment if Already prevailed in its counterclaim. *See also Lujan*, 497 U.S. at 888 (standing cannot be based on the "conclusory allegations of an affidavit"). That is hardly surprising, as any prudent investor takes into account myriad factors in making an investment decision. That fact is not sufficient to create a case or controversy. Thus, the affidavits add nothing to Already's broader claim that all competitors always have standing to challenge any mark in their field, whether they can prove any direct injury or not. *See infra* at 58-60. If these sorts of affidavits were sufficient to confer standing, then every would-be invalidity plaintiff will be able to produce them in every subsequent case.

Further, the very brief declarations plainly misunderstand either the scope of the Covenant or Already's future intentions. If the would-be investors understood both, they would have no concerns, because there is no realistic prospect of any trademark dispute arising between the parties. Certainly, the investors can have no genuine remaining worries at this point, given that – after the declarations were prepared – both of the lower courts confirmed the extensive protections that have been provided to Already.

As the court of appeals explained, the declarations fail to appreciate that there is no reason to believe that Already “intends to make any arguably infringing shoe that is not unambiguously covered by the Covenant.” Pet. App. 15a n.5. Rather, as the district court recognized, the investors’ view that Already is subject to suit for making “similar” shoes simply misunderstands the scope of the Covenant’s “colorable imitations” provision. *Id.* 34a. To the extent these individuals continue to misapprehend the risks, Already cannot bootstrap its failure to correct their misunderstanding (or their simple unreasonableness) into an Article III controversy. *See Bennett*, 520 U.S. at 167 (an Article III injury “must be fairly traceable to the challenged action of the defendant, and not the result of the independent action of some third party not before the court”).<sup>5</sup>

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<sup>5</sup> Already also submitted an affidavit from its Vice President for Sales, making the distinct claim that Nike was actively discouraging competitors from carrying Already's shoes.

## **II. The "Voluntary Cessation" Doctrine Does Not Excuse Already's Failure To Show Any Prospect That It Will Produce A Potentially Infringing Shoe Outside The Scope Of The Covenant.**

Already argues that even if *it* has not come forth with allegations regarding its future intentions, this case remains a justiciable controversy under the "voluntary cessation" doctrine. It asserts that the doctrine was triggered when Nike initiated this litigation, then terminated it. And Already claims that Nike failed to carry the "heavy burden" of establishing that the parties' dispute over the Mark's validity will not recur. Those arguments lack merit.

### **A. Even If It Applied, The Voluntary Cessation Doctrine Would Not Save Already's Standing.**

This Court's precedents applying the voluntary cessation doctrine arise from a common fact pattern. The plaintiff files suit, challenging some act of the defendant. The defendant then ceases the activity, but retains the right to recommence it. The defendant thereby creates a particular dilemma: dismissing the case as moot would allow the

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That affidavit was based on nothing but unsubstantiated hearsay, which Nike vehemently denies. J.A. 176a-77a. But still much more important here, it has no relationship to Already's claim of standing. The affidavit does not allege that the Mark had anything to do with the asserted bullying tactics; if Already prevailed in invalidating the Mark, that judgment would not limit Nike's commercial power. See U.S. Br. 31 n.7.

defendant to later resume its allegedly illegal activities by avoiding an adverse federal court judgment. The settled rule is thus that “[t]he voluntary cessation of challenged conduct does not ordinarily render a case moot *because* a dismissal for mootness would permit a resumption of the challenged conduct as soon as the case is dismissed.” *Knox v. SEIU*, 132 S. Ct. 2277, 2287 (2012) (emphasis added). For example, last Term in *Knox*, although the defendant union offered to refund the fee that the plaintiff union members alleged was unlawful, the case was not moot because it was “not clear why the union would necessarily refrain from collecting similar fees in the future.” *Id.* at 2287. In such a case, the defendant must prove that “the challenged conduct cannot reasonably be expected to start up again.” *Friends of the Earth, Inc. v. Laidlaw Env’t Servs. Inc.*, 528 U.S. 167, 189 (2000).

The voluntary cessation doctrine is thus an application of – not an exception to – the bedrock Article III principle that the federal courts have the power to adjudicate only actual controversies. The defining feature of cases subject to the doctrine is that a concrete dispute remains between the parties because the plaintiff would be injured by the defendant’s activities if they are resumed. The voluntary cessation doctrine applies an evidentiary presumption that the defendant will do so. See *Steel Co. v. Citizens for a Better Env’t*, 523 U.S. 83, 109 (1998).

Even if the voluntary cessation doctrine applied to Nike’s dismissal of its claims with prejudice and issuance of the Covenant, it would not help Already. The exclusive concern of the voluntary cessation

doctrine is the likelihood that *the defendant* will resume the challenged activity: "The plain lesson of these cases is that there are circumstances in which the prospect that a defendant will engage in (or resume) harmful conduct may be too speculative to support standing, but not too speculative to overcome mootness." *Friends of the Earth*, 528 U.S. at 190. That is why, even when it applies, the voluntary cessation test is satisfied if there is "no reasonable expectation that the wrong will be repeated," *United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953) (citation omitted), a test that focuses on the behavior of the defendant, not the likelihood that the plaintiff will be harmed by that repeated conduct.

Thus, if the voluntary cessation doctrine applied here, Nike would have the burden to rebut a presumption that Nike both "considers that it still has valid state and federal law rights" in the Mark, and also "stands ready to assert those rights in the future as it has aggressively done in the past." Already Br. 25. But even if those facts are presumed, Already still lacks standing.

The doctrine does not, as Already mistakenly presumes, lessen its obligation to prove that *it* would be injured by a recurrence of the defendant's conduct – in this case, Already's obligation to prove that its own conduct could give rise to a dispute with Nike over the validity of the Mark. While the voluntary cessation doctrine permits a court to assume that a defendant will resume its challenged conduct – here, that Nike will later again assert its statutory right to prevent third parties from infringing the Mark – it does not allow a court to assume that the plaintiff will engage in conduct that creates the prospect of

injury or otherwise lessen the “irreducible constitutional minimum” of an injury in fact that is “actual or imminent, not ‘conjectural or hypothetical.’” *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992) (citations omitted).

Already assumes that the voluntary cessation doctrine allows it to hold its tongue about its future plans and through silence secure an adjudication of an entirely hypothetical dispute. But it cites no support for such a rule, which would create its own potential for manipulation of the courts’ jurisdiction by declaratory judgment plaintiffs eager to circumvent Article III while punishing forthcoming plaintiffs who honestly disclose that they have no plans to produce a potentially infringing product.

Nor would the rule Already advances make any practical sense. On Already’s understanding, the voluntary cessation doctrine would erect an almost insurmountable burden to a district court finding that a covenant not to sue ended the Article III controversy. The party issuing the covenant will rarely if ever be able to definitively disprove the intentions of its litigation opponent. As the United States recognizes, “[i]nformation about these activities is uniquely within the plaintiff’s possession,” so “placing the burden of production on the plaintiff reduces the need for potentially extensive discovery into the plaintiff’s activities and plans.” U.S. Br. 25; *see also, e.g., Concrete Pipe & Prods. of Cal., Inc. v. Constr. Laborers Pension Trust*, 508 U.S. 602, 626 (1993) (“It is indeed entirely sensible to burden the party more likely to have information relevant to the facts . . . .” (citing *W. Bailey*, *ONUS PROBANDI* 1 (1886) (citing *POWELL ON*

EVIDENCE 167-71) ("In every case the *onus probandi* lies on the party who wishes to support his case by a particular fact which lies more peculiarly within his knowledge, or of which he is supposed to be cognizant."))).

The voluntary cessation doctrine thus cannot solve the root flaw in Already's claim to Article III standing. On the critical question of Already's intentions, the burden of proof is irrelevant. Because Already did not assert any desire to produce a potentially infringing product not covered by the Covenant, there was no factual dispute to resolve.

**B. In Any Event, The Voluntary Cessation Doctrine Does Not Apply Or Is Satisfied.**

1. Already and the United States argue that the voluntary cessation doctrine applies because the present controversy was eliminated by Nike's unilateral action. Pet. Br. 22-23; U.S. Br. 22. But that view cannot be squared with this Court's cases or the underlying rationale for the doctrine.

Unlike the defendants in this Court's voluntary cessation cases, Nike has no power to re-engage in the allegedly unlawful conduct that forms the basis of Already's standing in this case: assertion of an invalid trademark against Already's products. The dismissal with prejudice precludes reassertion of the original infringement claims and, because the Covenant is irrevocable and judicially enforceable, Nike has no power to challenge Already's sale of any product falling within its capacious scope. While Nike's decision to dismiss its action and offer the Covenant were voluntary, its decision to refrain from suing Already in the future is not – it will be

restrained by the binding legal force of the judgment and the Covenant.

In similar circumstances, where a controversy is ended through a judicially enforceable act that precludes the defendant from backsliding, this Court has held that the voluntary cessation doctrine does not apply. *Deakins v. Monaghan*, 484 U.S. 193 (1988), is illustrative. There, the plaintiffs sought an injunction to prohibit law enforcement officials from presenting evidence to a state grand jury. While the case was pending before this Court, the grand jury returned an indictment against some of the respondents without having been presented with the evidence. The federal court plaintiffs then represented that they did “not wish to pursue their claims for equitable relief in federal court,” *id.* at 198-99, which this Court concluded would require a dismissal of those claims with prejudice, *id.* at 200. On that basis, the Court held that there was “no longer a live controversy between the parties over whether a federal court can hear respondents’ equitable claims.” *Id.* at 199.

Although the federal plaintiffs had in some sense “ceased” the conduct giving rise to the Article III controversy – their pursuit of equitable relief – the Court unanimously held that the voluntary cessation doctrine did not apply. It explained that the case was distinct from “one in which a defendant attempts to avoid appellate review by voluntarily ceasing the challenged conduct without losing the ability to reinitiate the conduct once the mooted case is dismissed.” *Id.* at 200 n.4 (emphasis omitted) (citing *United States v. Concentrated Phosphate Export*

*Ass'n, Inc.*, 393 U.S. 199, 203 (1968); *United States v. W.T. Grant Co.*, 345 U.S. 629, 632 (1953)).

The petitioners argued to the contrary that the “respondents’ promise to amend their complaint is an empty one, because nothing will prevent respondents, particularly those not indicted, from nullifying that amendment by further amendment or from filing a new complaint if they are dissatisfied with the relief obtained in the state criminal proceeding.” 484 U.S. at 200. But that argument, the Court explained, “misconceive[s] the effect respondents’ representations and our reliance thereon will have on the shape of the federal litigation.” *Id.* at 200. The fact that the judgment would result in a “dismissal with prejudice . . . will prevent a regeneration of the controversy by a reassertion of a right to litigate the equitable claims in federal court.” *Id.* Because “the ‘conduct’ that petitioners fear will be resumed is the pursuit of the federal litigation,” the justifications for applying the voluntary cessation doctrine were absent; the “litigation is dismissed with prejudice, it cannot be resumed in this or any subsequent action.” *Id.* at 200 n.4; see also *Arave v. Hoffman*, 552 U.S. 117 (2008) (per curiam) (case mooted when, after grant of certiorari, petitioner abandons claim that was sole remaining issue on appeal).

As these cases illustrate, when a defendant makes a judicially enforceable commitment to avoid the conduct that forms the basis for an Article III controversy, there is no reason to apply a special rule premised on the defendant’s unfettered ability to “return to [its] old ways.” *W.T. Grant Co.*, 345 U.S. at 632.

2. Already's and the United States's arguments to the contrary are unpersuasive.

The Government speculates that a "trademark owner might attempt, through use of an artfully drafted covenant," to manipulate the courts' jurisdiction. U.S. Br. 23. But Nike's Covenant is unequivocal. In any event, doubts about whether the covenant resolves the existing controversy, so that the defendant could return to the conduct that injures the plaintiff, should be resolved *before* the case is dismissed in the first instance. The court's construction of the covenant is binding. In this case, although Nike drafted the Covenant, its scope is a question of law for the courts, whose interpretation must take into account that its purpose was to resolve any live controversy between the parties. See Pet. App. 34a (district court construing the Covenant "broadly"). If Already had complained below that the Covenant was unclear or not broad enough to encompass some reasonably foreseeable future product, Nike could have amended the Covenant to accommodate any reasonable concerns. The district court would then have decided whether the Covenant was sufficiently comprehensive. Moreover, if Nike ever *did* bring suit against a future Already product and claimed that it fell outside the scope of the Covenant, that question would be resolved by a court without regard for any interest Nike might have in "manipulation." Cf. *Reed Elsevier, Inc. v. Muchnick*, 130 S. Ct. 1237, 1249 (2010) (noting that the doctrine of judicial estoppel "typically applies when, among other things, a party has succeeded in persuading a court to accept that party's earlier position, so that judicial acceptance of an inconsistent position in a

later proceeding would create the perception that either the first or the second court was misled") (citation and internal quotation marks omitted).

Nor does Nike's conduct otherwise implicate any goal of preventing evasion of the jurisdiction of the federal courts. The "concerns about jurisdictional manipulation" that underlie the voluntary cessation test, U.S. Br. 22, are concerns about potential "resumption of the challenged conduct as soon as the case is dismissed." *Knox*, 132 S. Ct. at 2287. Here, as discussed, the dismissal with prejudice and judicially enforceable Covenant eliminate that risk.

Further, there is nothing manipulative about resolving litigation by voluntarily providing a plaintiff a remedy for the alleged injuries at the foundation of the suit. If a party is willing to resolve a case promptly on that basis, substantial interests favor dismissing the litigation. Given that the federal courts are seriously overburdened and that the Framers intended the courts to exercise limited rather than expansive power, there is a strong basis to encourage – not dissuade – a plaintiff to voluntarily withdraw a suit with prejudice and provide both the courts and the opposing party certainty that the controversy will not recur. But if Already's position were the law, plaintiffs facing counterclaims would lack any incentive to voluntarily dismiss their own claims; that would be a pure act of unilateral disarmament.

In this case, for example, there was nothing even remotely improper about Nike's decision to end the litigation. Early in the case, Already demonstrated to Nike that Already's products did not pose as significant a threat as first appeared. Continuing the

litigation would have been enormously expensive and time consuming for both parties, as infringement and dilution claims typically require production of consumer surveys and the retention of expert witnesses.

Such dismissals are common and should be encouraged. Indeed, Already itself moved to dismiss trademark litigation *it had commenced against Nike* shortly after this suit was filed, asserting that it had concluded that the alleged infringement was not as serious as initially feared and that the cost of litigation did not warrant pursuing the matter further. See Motion to Dismiss ¶¶ 8-9, *Already, LLC v. Nike, Inc.*, No. 4:09-cv-480-A (July 1, 2010, N.D. Tex.).<sup>6</sup>

3. But Nike would easily satisfy the voluntary cessation test in any event. Nike has shown beyond peradventure that there is “no reasonable expectation” that Nike will assert its Mark against Already’s past or current products or future colorable imitations of those products – namely, shoes sufficiently similar to the ones that led to this litigation. Accordingly, the only occasion for future conflict would be Already’s production of a shoe falling outside the scope of the Covenant yet

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<sup>6</sup> Already is not aided by any further requirement that a party which voluntarily ceases complained-of conduct prove that its actions “have completely and irrevocably eradicated the effects of the alleged violation.” *County of Los Angeles v. Davis*, 440 U.S. 625, 631 (1979); Pet. Br. 26. As noted, Already’s counterclaim includes no claim for damages. There are thus no “effects” for Nike to “eradicate.”

sufficiently similar to the AF1 to give rise to reasonable infringement concerns.

Absent some indication from Already that it has a desire or plans to produce such a shoe, the likelihood of future conflict is simply too speculative to give rise to a justiciable controversy, even under the voluntary cessation test. Here, there is “no threat or probability of resumption of the abandoned warfare” initiated by Nike, *United States v. Oregon State Med. Soc’y*, 343 U.S. 326, 334 (1952), including because Already never alleged any desire to produce such a shoe.

**C. The Court Should Reject The United States’s Suggestion That The Case Be Remanded For Further Fact-Finding.**

Although the United States did not participate in the lower court proceedings and has no particular familiarity with the record, it suggests something neither party believes is appropriate: a remand for further factual development under the voluntary cessation standard. Even assuming that doctrine applies, that suggestion is unwarranted. Because Already’s claim to standing fails for lack of any allegation that it even *desires* to produce a product that is not covered by the Covenant, discovery and fact-finding in the lower courts would be empty, wasteful exercises.

Already did not request a remand in either its petition for certiorari or its merits brief. This Court granted certiorari based on petitioner’s representation that the case required no further factual development, because Already claimed a statutory right to standing (which it has since

abandoned) and because the Covenant did not apply to later products (which was untrue). If Already had gone still further and taken the position that the facts of the case (including particularly the scope of the Covenant and the record evidence of its own intentions) were unclear, then there is a substantial prospect that the petition would have been denied. This Court instead granted certiorari to decide the legal question of the effect of a covenant not to sue.

The Government's view that the lower courts have "not had the opportunity" to properly assess the record, U.S. Br. 10, reflects a basic misunderstanding of how the case was litigated below. There is only one reason that "petitioner's planned business activities are unclear," *id.* 8: Already has steadfastly refused to suggest that they will give rise to an injury. In the district court, Already had every opportunity to put on any evidence it wanted regarding its own future intentions. That question was squarely before the lower courts. Even under the voluntary cessation test Already advocated, its future intentions were relevant to rebut Nike's claim that there was no "reasonable expectation that the wrong will be repeated." *United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953) (citation omitted).

Already's passing reference to the fact that the district court dismissed the case "without holding any evidentiary hearing," Pet. Br. 15, omits the critical fact that Already did not *request* a hearing. When the district court found that there was "no indication that any of [Already's] forthcoming models would extend beyond" the Covenant, Pet. App. 31a, Already did not challenge that finding on appeal or ask either court for an opportunity to supplement the record.

Neither the petition for certiorari nor Already's merits briefs alleged that the lower courts had failed either to give petitioner a sufficient opportunity to develop facts or to properly construe the Covenant.

To believe that further fact-finding on remand would actually produce relevant further *facts*, Already would at least have had to represent to the lower courts that it seeks to produce a shoe that could give rise to a controversy. The fact that Already does not even allege that it "plans to engage" in any activity that could give rise to a controversy, U.S. Br. 25 n.5, makes a remand pointless.<sup>7</sup>

Nor is there any relevant ambiguity regarding the scope of the Covenant.

Already successfully urged the district court to "take Nike at its word" that the Covenant provides a "robust" protection that "irrevocably and unconditionally affords [Already] and [Already's] customers complete freedom from allegations" that its existing shoes or their "colorable imitations" infringe the Mark. Already's Mem. in Support of Summary Judgment 16 (filed Apr. 26, 2010). The phrase "colorable imitation" is defined by statute as "any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive." 15 U.S.C. § 1127. *Contra* Pet. Br. 9 n.8 (citing a narrower, pre-statutory definition without

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<sup>7</sup> In fact, other than the YUM's Sweet Series Sugar, which was the subject of Nike's initial suit and is indisputably covered by the Covenant, none of the shoes currently advertised on YUM's website bear any resemblance to the Nike AF1. See <http://www.yumslife.com/shop/shoes>.

explanation). But in any event, contrary to the United States's understanding, both of the lower courts had the opportunity to construe the Covenant. Pet. App. 14a, 29a-34a. Precisely because Nike did not provide further specificity, the district court believed it appropriate to adopt the "broad" reading that now binds Nike. Pet. App. 29a-30a n.2.

The United States also does not explain how the lower courts can further construe the Covenant. The open question is presumably what future products it covers. But in the absence of any allegation by Already that it seeks to make *any* potentially infringing product that is not unambiguously covered by the Covenant, there is no relevant ambiguity to resolve.<sup>8</sup>

An opinion remanding the case would also expressly leave open the prospect that Article III jurisdiction remains, despite the absence of any suggestion by Already at any stage of the case that it desires – much less intends – to produce any product that the Covenant does not unambiguously cover. Because it is unlikely that this Court would later review the lower courts' fact-bound ruling on remand, this Court's ruling would not provide definitive guidance on the effect of a covenant not to sue. Much

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<sup>8</sup> Any covenant that extends to subsequent products must choose some verbal formulation that lacks scientific precision, precisely because it must reach a good that has not yet been developed. The phrase "colorable imitation" is well-suited to that role, because it captures the further evolution of existing products, in contrast to an entirely new and distinct product line.

of the benefit to the lower courts and litigants of a clear ruling by this Court will be lost.

Finally, Already will not be disadvantaged by affirmance of the dismissal of its counterclaims without prejudice. If in fact an actual controversy arises in the future, Already will be free to file a new suit. See *City News & Novelty, Inc. v. City of Waukesha*, 531 U.S. 278, 285 n.2 (2001) (“If City News seeks a license in the future, and if Waukesha attempts to invoke its five-year bar, nothing in the prior proceedings or in our disposition today will disable City News from contesting the bar’s application.”); *United States v. Oregon State Med. Soc’y*, 343 U.S. 326, 339-40 (1952) (“Affirmance is, of course, without prejudice to future suit if practices in conduct of the Oregon Physicians’ Service or the county services, whether or not involved in the present action, shall threaten or constitute violation of the antitrust laws.”).

In these circumstances, the Court’s practice is to affirm, not vacate and remand. Even when this Court concludes that the court of appeals applied the wrong legal standard, when the evidence “is sufficient under the correct standard,” there is no reason “to remand the case.” *Global-Tech Appliances v. SEB S.A.*, 131 S. Ct. 2060, 2071 & n.10 (2011). Remand is simply “unnecessary” when nothing “turned on the mistake.” *Morrison v. National Austl. Bank Ltd.*, 130 S. Ct. 2869, 2877 (2010).<sup>9</sup>

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<sup>9</sup> If the Court were to remand, it should leave open the possibility that if the court determined it had Article III jurisdiction it might nonetheless exercise its discretion under

### **III. The Court Should Reject The Sweeping Claims Of Already And Its *Amici* That Every Marketplace Participant Has Standing To Challenge The Intellectual Property Rights Of Any Other.**

Having failed to show that the Covenant is too narrow, Already argues instead that “[n]o covenant, no matter how broad,” can eliminate a justiciable controversy over the validity of a trademark. Pet. Br. 33-34. Already and its *amici* thus claim that the existence of a trademark always and necessarily creates a justiciable controversy over its validity between the mark holder and every participant in the relevant industry (and perhaps beyond), even if the mark cannot be shown to have any direct and concrete effect on the plaintiff’s business.

That cannot possibly be right, and clearly it is not. Already’s theory of standing avowedly extends to every “company engaged in the business of designing and marketing athletic shoes.” Pet. Br. 21; *see also Amicus Br. of Law Profs.* 3 (standing extends to all “participants in that field”); *Amicus Br. of Public Patent Found.* 12 (“[T]he public has standing to challenge the validity of any issued patent or registered trademark in court.”). Any shoe manufacturer could sue every other over the validity of every patent and trademark. Any electronic manufacturer could sue every other. And so on

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the Declaratory Judgment Act to deny relief given the facts of the case. *See U.S. Br.* 26-27.

Contrary to petitioner's submission, it is Already's position that creates the real risk of extortive litigation tactics. As noted, on its view, any market participant has Article III standing to challenge the intellectual property rights – both patents and trademarks – of every other. If that claim meets resistance, the challenge can simply be withdrawn. Any competitor could also intervene in every suit between other industry participants insisting on a determination of all the plaintiff's and defendant's intellectual property rights, precluding any settlement of the case.

Already's concern that settled law provides an advantage for large market participants over smaller competitors has matters backwards too. On Already's proposal, larger firms will have every incentive to institute federal court suits challenging the entire intellectual property portfolios of their smaller rivals. The defendant will either capitulate by issuing a license or face the prospect of spending millions of dollars to defend the case.

Already also fails to explain how its claim to special privilege for intellectual property cases would actually remain cabined to that one sphere. Many other plaintiffs no doubt believe that their interests in pursuing litigation are just as strong. *E.g.*, No. 11-1025, *Clapper v. Amnesty Int'l USA* (presenting the question whether plaintiffs had standing to challenge constitutionality of Foreign Intelligence Surveillance Act based on showing an "objectively reasonable likelihood" that their future communications would be monitored).

In truth, Already's attorneys are openly pursuing an agenda of dramatically changing the settled

understanding of the Patent and Trademark Office and the holders of numerous rights that trade dress like Nike's Mark is protectable. Already's only apparent role is to stand in as the nominal plaintiff; the suit has nothing to do with Already's own plans or the effect the Mark is presently having on Already. That sort of sweeping theory is by its nature best addressed to Congress or the expert administrative agencies, not federal district courts without any concrete factual controversy before them.<sup>10</sup>

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<sup>10</sup> Though not relevant to the Question Presented, Already's discussion of the theory of its counterclaim in its brief – that product designs are not properly the subject of federal trademark registration, see Pet. Br. 6, 32-33, 42-43 – is based on a fundamental misunderstanding of the holdings in *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) and *Sears, Roebuck & Co v. Stiffel Co.*, 376 U.S. 225 (1964). *Sears* and *Compco* addressed federal preemption of state unfair competition laws. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 152-56 (1989) (explaining that *Compco* and *Sears* addressed federal preemption of an Illinois unfair competition law). These decisions do not, as Already suggests, preclude federal trademark protection for product designs. And, if there were any question, this Court further clarified these decisions in *Bonito Boats*, noting that it “is clear from the balance struck in *Sears* itself” that “the extrapolation of such a broad preemptive principle from *Sears* [that “States are completely disabled from offering any form of protection to articles or process which fall within the broad scope of patentable subject matter”] is inappropriate.” 489 U.S. at 154 (emphasis added). Moreover, *Compco* itself recognized that a design may properly be entitled to a “design patent or other federal statutory protection,” 376 U.S. at 238 (emphasis added), which obviously includes federal trademark protection under the Lanham Act.

**A. The Requirements Of Article III Need Not And Cannot Be Relaxed In The Trademark Context.**

Already's radical assertion that the ordinary requirements of Article III standing should be eliminated in the context of challenges to intellectual property rights fails to account for numerous countervailing considerations.

First, an administrative regime permits any party "who believes that he is or will be damaged" by a trademark registration to seek cancellation of the mark. 15 U.S.C. § 1064; *see also id.* § 1052. In the district court, Already emphasized its "continuing right, under at least 15 U.S.C. § 1064, to seek cancellation of the '905 Registration in an administrative proceeding commenced in the PTO." Already's Mem. in Support of Summary Judgment 23 (filed Apr. 26, 2010).

It is settled that a party may bring such an action if the existence of the mark has deterred its commercial activities. U.S. Br. 27 (citing *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1029 (C.C.P.A. 1982)). Those claims are adjudicated by the expert agency charged by Congress with determining whether a mark is protectable – the Patent and Trademark Office's Trademark Trial and Appeal Board (TTAB). The proceedings are adversarial, discovery is available, and the parties are entitled to present evidence under the same standards that govern civil litigation in federal court. 37 C.F.R. §§ 2.120(a), 2.122(a). Importantly, through the TTAB, the party challenging the mark may secure a ruling that has preclusive effect in federal court proceedings. *Levy v. Kosher Overseers Ass'n of*

*Am., Inc.*, 104 F.3d 38, 42 (2d Cir. 1997). An appeal lies with the Federal Circuit or a district court. 15 U.S.C. § 1071.

Having declined to avail itself of the TTAB procedure, Already's objection that the ruling below prevents it from challenging the validity of the Mark rings particularly hollow. Moreover, the fact that the decision may encourage the filing of validity challenges before an expert agency rather than generalist courts is no vice.<sup>11</sup>

Second, a trademark holder is unable to moot a case by withdrawing its claims and issuing a covenant so long as the counterclaimant has included a claim for damages. *See, e.g., Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res.*, 532 U.S. 598, 608-09 (2001). Accordingly, the question in this case only arises when, as here, the challenger's claims are based solely on predictions (perhaps speculation) of future harm.

Third, any competitor can attempt to produce an exact copy of the mark – *i.e.*, a counterfeit. And in that context, a covenant not to sue could not preclude

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<sup>11</sup> Already has raised the prospect that broad agency standing rules might permit some companies with only a tenuous stake in a mark's validity to challenge a mark before the TTAB, even though they would be unable to satisfy the Article III requirements for seeking review of the agency decision in federal court. Cert. Reply 9-10. But the fact that Congress may have seen fit to allow especially broad access to an agency process is obviously no ground for relaxing Article III principles. And even if left unreviewed in rare cases, a TTAB adjudication of validity provides substantial protection from the specter of invalid registrations.

the plaintiff from securing the relief it seeks. That is because a covenant not to challenge a counterfeit effectively grants the recipient a naked license to produce the trade dress, and naked licensing will be deemed an abandonment of the mark because it undermines consumers' association of the mark with its owner. *See, e.g.*, 4 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 18:48 (4th ed. 2012) (“[U]ncontrolled and ‘naked’ licensing can result in such a loss of significance of a trademark that a federal registration should be cancelled.”); Edward K. Epsing, Annotation, *Granting of “naked” or unsupervised license to third party as abandonment of trademark*, 118 A.L.R. Fed. 211 (1994). Under the Covenant in this case, by contrast, the Mark retains its exclusive association with Nike because it excludes both counterfeits and other products that are not colorable imitations of Already’s prior shoes.

Fourth, and relatedly, a trademark owner could not perpetually avoid validity challenges by routinely granting covenants not to sue without risking claims that it had abandoned the mark, even if the covenant did not permit counterfeits. Eventually, the mark holder’s grant of permission to the production of large numbers of confusingly similar products would undermine any claim that the mark continued to signify to the public the goods’ origin with the mark holder.

Fifth, the Lanham Act contains a built-in safeguard against attempts to manipulate the jurisdiction of the federal courts. Congress provided for an award of attorney fees in “exceptional cases.” 15 U.S.C. § 1117(a). That standard may be satisfied when a party in bad faith institutes litigation in an

attempt to exact a settlement, then withdraws the suit when it meets resistance, given Congress's purpose to "afford protection to defendants 'against unfounded suits brought by trademark owners for harassment and the like.'" *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Rest.*, 771 F.2d 521, 524 (D.C. Cir. 1985) (quoting S. Rep. No. 93-1400, at 5 (1974)). The availability of such attorney fee awards protects plaintiffs "from the suddenly repentant defendant." *Gwaltney of Smithfield, Ltd. v. Chesapeake Bay Found., Inc.*, 484 U.S. 49, 67 n.6 (1987).

Here, the district court and the court of appeals both rejected Already's request for fees, Pet. App. 20a, 38a-39a, and Already no longer pursues that claim. Nor could it. Nike operated in manifest good faith. Nike did not "abruptly deliver[]" the Covenant. *Contra* Pet. Br. 14. It only learned of the very limited nationwide distribution of Already's shoes in a settlement meeting after the litigation had commenced. Already could have advised Nike of that fact in response to Nike's pre-litigation cease-and-desist letter, but chose not to. Nike also concluded on the basis of Already's own defense of the infringement allegations that any consumer confusion created by the Soulja Boy shoes was *de minimis*.<sup>12</sup>

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<sup>12</sup> Already quotes a single sentence by the district judge that the Soulja Boy shoes did not appear particularly similar to the Mark, Pet. Br. 14, ellipsing out the judge's acknowledgment that he was glancing at images of the parties' shoes in passing from thirty feet away, *see* J.A. 87a. But in any event, it would have been entirely appropriate for Nike to withdraw its suit based on a determination that it was likely to lose its claims on

Fifth, principles of federalism counsel additional restraint. Already's counterclaim seeks a significant declaration changing the settled understanding of the scope of *state* trademark law as well. *See* Pet. Br. 11.

**B. The Mere Existence Of A Trademark Registration Provides No Basis For Standing To Challenge Its Validity.**

Already argues that so long as the Mark remains on the federal register it stands as a “scarecrow” to all of Nike’s competitors (including Already) and, therefore, susceptible to challenge under the Declaratory Judgment Act. Pet. Br. 29 (quoting *Cardinal Chem.*, 508 U.S. at 96). It is not, however, sufficient for Already to simply hypothesize that a trademark could conceivably someday deter some competitor from taking some unspecified action. Basing standing on a mere “statistical probability” or even a “*realistic* threat” of harm would “would make a mockery of [the Court’s] prior cases,” *Summers v. Earth Island Inst.*, 555 U.S. 488, 497-98, 500 (2009) (emphasis in original), which require instead that the plaintiff’s own personal “threatened injury must be ‘certainly impending’ to constitute injury in fact.” *Whitmore v. Arkansas*, 495 U.S. 149, 158 (1990) (internal quotation marks and citations omitted).

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the merits. The judge’s statement does not suggest that the judge harbored any doubt about the *validity* of the Mark, and thus does not support Already’s attempt to argue that – notwithstanding the district court’s attorneys’ fees ruling – Nike withdrew its claims and issued the Covenant to avoid a judgment that the Mark was invalid.

For the same reasons, Already's repeated reference to injuries Nike's Mark might inflict on others – other shoe manufacturers and the public at large, Pet. Br. 26-27, 40 – are constitutionally irrelevant. Because this is not a class action or similar representative litigation, Already does not even arguably have a cognizable interest in the alleged injuries of unrelated third parties. Compare *Genesis HealthCare Corp. v. Symczek*, No. 11-1059. The “Article III question is not whether the requested relief would be nugatory as to the world at large, but whether [the plaintiff] has a stake in that relief.” *Lewis*, 494 U.S. at 479 (emphasis in original). Although Already might “derive great comfort and joy from the fact that . . . a wrongdoer gets his just deserts, or that the Nation's laws are faithfully enforced, that psychic satisfaction is not an acceptable Article III remedy because it does not redress a cognizable Article III injury.” *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 107 (1998).

Already and its *amici* claim that a different rule should apply here in order to facilitate broader challenges to what they perceive to be a pattern of “unlawful Government agency action” in the registration of invalid patents and trademarks. Pet. Br. 31; see also *id.* 40-43; *Amicus Br. of Public Patent Foundation* 6 (“[I]t is not unfair to accuse the U.S. Patent and Trademark Office of being a rubber stamp.”).

Already has provided no evidence to support its suggestion that the federal trademark register is full of invalid “scarecrow” marks, awarded by an agency that misunderstands or routinely defies statutory and constitutional limitations on trademarks. But

more fundamentally, Already's argument betrays a profound misunderstanding of the central purpose of Article III, which is to constrain the occasions upon which courts are called upon to cast judgment upon the conduct of the other branches. *See, e.g., Raines v. Byrd*, 521 U.S. 811, 819-20 (1997). Where judicial review of executive action is unnecessary to "protect the interest of the complaining party," allowing "courts to oversee legislative or executive action 'would significantly alter the allocation of power . . . away from a democratic form of government.'" *Summers*, 555 U.S. at 493 (citations omitted). "Continued adherence to the case-or-controversy requirement of Article III," on the other hand, "maintains the public's confidence in an unelected but restrained Federal Judiciary." *Arizona Christian Sch. Tuition Org. v. Winn*, 131 S. Ct. 1436, 1442 (2011).

### CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be affirmed.

Respectfully submitted,

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September 24, 2012

# **REPLY BRIEF**

No. 11-982

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IN THE  
**Supreme Court of the United States**

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ALREADY, LLC d/b/a YUMS,

*Petitioner,*

v.

NIKE, INC.,

*Respondent.*

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ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

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**REPLY BRIEF FOR PETITIONER**

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October 24, 2012

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Respondent fundamentally misperceives the relationship between mootness principles and the competitive injuries that petitioner quite clearly continues to suffer due to respondent's continuing assertion of state and federal trademark rights to exclude petitioner from using the shoe configuration depicted in U.S. Reg. No. 3,451,905 (the "905 Registration") and an unknowable range of other similar shoe configurations.

As the United States correctly notes, the lower courts here failed to "view the jurisdictional issue raised by respondent's covenant as one of voluntary cessation and mootness," and thus "placed the burden of proof on the wrong party." SG Br. at 28 (quoting *Adarand Constructors, Inc. v. Slater*, 528 U.S. 216, 232 (2000) (per curiam)). This case bears a strong resemblance to both *Adarand* and *Friends of the Earth, Inc. v. Laidlaw Envtl. Servs. (TOC), Inc.*, 528 U.S. 167 (2000) – two cases in which this Court determined that lower court decisions had erroneously "confused mootness with standing." *Adarand*, 528 U.S. at 221 (quoting *Friends of the Earth*, 528 U.S. at 189).

The decision below suffers from the same confusion as did the lower court decisions in *Adarand* and *Friends of the Earth*. The courts below misallocated the burden of proof and failed to analyze whether respondent had shown it was "absolutely clear that [petitioner] . . . no longer had any need of the judicial protection that it sought." *Adarand*, 528 U.S. at 224 (emphasis added). When the correct legal standard is applied, this is an easy case because respondent did not make any showing, much less an "absolutely clear" showing, that as a factual matter, its covenant created a situation in which petitioner ceased to have "a concrete interest, however small," in recovering on its counterclaim. *Knox v. Serv. Emp. Int'l Union, Local 100*, 132 S. Ct. 2277, 2287 (2012) (quoting *Ellis v. Railway Clerks*, 466 U. S. 435, 442 (1984)).

In response to respondent's motion to dismiss, petitioner submitted declarations that, fairly con-

strued, allege that (i) petitioner continues to compete in the athletic shoe industry (JA172a-174a), (ii) petitioner continues to make design changes to its existing lines of shoes and to develop new shoe lines (JA173a-174a), and (iii) potential investors are avoiding investing in petitioner because of their concerns about the continuing presumptive validity of respondent's alleged trademark and the limited scope of respondent's covenant not to sue. JA168a-170a, JA178a-183a.

Each of these allegations supports a sufficient injury to sustain Article III jurisdiction. Consider, for example, the investors' allegations. The investors have expressed "concerns" (JA179a) about the limited scope of respondent's covenant and have specifically identified the need for "certainty" (JA180a) in removing "this black cloud" caused by the continued registration of the alleged trademark and the limited scope of the covenant. Petitioner is certainly harmed by an investor's decision to "continue to withhold investment funds toward [petitioner]" (JA180a), and respondent does not seriously contend otherwise. Rather, respondent asserts (Resp. Br. 35) that the investors "simply misunderstand[] the scope of the Covenant's 'colorable imitations' provision."

Even if respondent's assertion were permissible<sup>1</sup>—i.e., even if hypothetically omniscient investors could conclude that respondent's actions do not impose any harm to the competitive business environment in which petitioner operates—this Court's decision in *Friends of the Earth* indicates that petition-

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<sup>1</sup> As described *infra*, respondent's factual assertion regarding the supposed "misunderstanding" of petitioner's investors are impermissible in the procedural posture of this case, in which a court must draw all reasonable inferences in favor of the non-moving party.

er's counterclaim would still not be moot. In *Friends of the Earth*, the district court found that the defendant's challenged conduct was not harming the environment, but this Court nonetheless held that the appropriate inquiry was "not injury to the environment but injury to the plaintiff." 528 U.S. at 181.

With the proper focus on petitioner and the injury to it, the allegations in the investors' affidavits plainly establish sufficient injury in fact to foreclose a conclusion of mootness. Indeed, this case follows a fortiori from *Friends of the Earth* because even the dissent's objection in that case—that the plaintiffs had only "unsupported and unexplained affidavit allegations of 'concern'"—is not operative here. The investors' declarations are detailed in explaining the basis for their concerns about future risks, and the injury to petitioner is quantifiable in dollar terms.

Of course, the larger flaw in respondent's argument is that there is real harm to petitioner's business here—respondent's actions have created a "black cloud" of risk and uncertainty in the very segment of the shoe business in which petitioner continues to compete. Investors understand that point; they understand quite well the concept of risk—including risk coming from legal uncertainty. The investors are responding in a rational, predictable fashion to the risks created by respondent's challenged conduct, and the direct result is a concrete and continuing injury to petitioner.

These two central points—(1) the "voluntary cessation" doctrine . . . provides the appropriate framework for analyzing the mootness question presented by this case" (SC Br. at 21), and (2) respondent plainly failed to *disestablish* the district court's jurisdiction to adjudicate petitioner's compulsory counterclaim—are discussed in more detail below. Also discussed below is the proper standard for determining factual disputes relevant to the existence of subject matter jurisdiction. The correct result here is straightforward: the Court should adhere to the normal rules generally applicable in district court

litigation and should reject the government's proposal that a "burden of production" (SG Br. at 25) be fashioned specially for cases such as this.

Finally, the Court should reject the government's unprecedented suggestion that petitioner be relegated to an administrative cancellation proceeding in the PTO even though the district court has Article III jurisdiction and even though the suggested administrative remedy is plainly inadequate. As the government acknowledges (SG Br. at 32 n.8), the PTO has no statutory authority (and indeed, no constitutional authority, *see Stern v. Marshall*, 131 S. Ct. 2594 (2011)) to adjudicate the dispute between petitioner and respondent over the validity of respondent's private, state-law claims to alleged trademark rights. The inadequacy of the administrative remedy, coupled with Congress's evident intent to permit federal courts to entertain cancellation claims *de novo*, provide powerful reasons for the district court to retain jurisdiction.

### **1. Respondent Bore the Burden of Proving That Its Covenant Extinguished Petitioner's Interest in Recovering on Its Counterclaim.**

As set forth above and as recognized by the United States, "[t]he 'voluntary cessation' doctrine," as articulated in cases like *Adarand*, "provides the appropriate framework for resolving the mootness question presented by this case." SG Br. at 21. Respondent's brief notably does not cite or distinguish *Adarand*, presumably because respondent recognizes that its arguments are irreconcilable with *Adarand*.

In *Adarand*, federal officials had allegedly violated the petitioner's Fifth Amendment right to Equal Protection by causing a construction contract to be awarded to a non-low bidder under an affirmative action program. Subsequently, a state agency deemed the petitioner eligible to take advantage of the preference program. The federal defendants then argued that the state's (not the defendant's own) voluntary post-suit act had rendered the case moot.

The Tenth Circuit accepted the government's argument but this Court reversed, holding that the lower court had "placed the burden of proof on the wrong party." *Id.* at 222. The case was not moot, this Court held, because the federal defendants who were asserting mootness had failed to prove it was "absolutely clear that the litigant no longer had any need of the judicial protection that it sought." *Id.* at 224.

As *Adarand* makes clear, a party who contends that a post-suit event has resulted in changed *factual* circumstances that allegedly render a pending claim moot, like the proponent of any factual contention, is rightly held to bear the burden of proving that its factual contention is true. *Cf. Cardinal Chem Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 98 & n.20 (1993) ("To the extent that the Federal Circuit . . . would have imposed the burden on Cardinal to show that jurisdiction over its counterclaim, once established in the District Court, continued to attach before the Court of Appeals, it would . . . have been in error.").

Further, in view of the "important public interest in protecting the legal system against manipulation by parties, especially those prone to involvement in repeat litigation, who might contrive to moot cases that otherwise would be likely to produce unfavorable precedents," *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1353 (Fed. Cir. 2007) (Dyk, J., dissenting) (quoting Hart and Wechsler, *The Federal Courts and the Federal System* 204 (5th ed. 2003)), the proponent of a mootness contention like respondent's must make an "absolutely clear" showing that its adversary "no longer ha[s] any need of the judicial protection that it sought." *Adarand*, 528 U.S. at 224.

The facts here contrast sharply with those that were before the Court in *Lewis v. Continental Bank Corp.*, 494 U.S. 472 (1990), on which respondent relies. The plaintiff in *Lewis* had applied to open an industrial savings bank (ISB) in Florida. Its application was denied on the basis of two Florida statutes which limited the opening of ISB's by non-resident

institutions. The plaintiff then sued, claiming that the subject Florida statutes were discriminatory and invalid under the Commerce Clause.

Subsequent to the filing of the *Lewis* plaintiff's complaint, federal banking law was amended in a way that made it "clear" the plaintiff's application could rightly be denied "no matter how the Commerce Clause issues in this suit are resolved." *Id.* at 478. At the time of the Court's decision, the "only evidence" of the plaintiff's "stake in the outcome" of the case was its initial application, *id.*, and the Court thus held that the plaintiff's *originally stated* claim was moot; however, because the plaintiff could potentially amend its complaint to assert additional injury, the Court vacated and remanded for further proceedings. *Id.* at 482. (Petitioner here similarly requested leave to amend its counterclaim in the event that respondent's covenant were deemed to affect the court's jurisdiction to hear petitioner's counterclaim. See Defendant's Memorandum in Support of Summary Judgment Dismissing Plaintiff's Complaint and in Opposition to Dismissal of Defendant's Counterclaims (district court docket item 46) at 12 n.3.).

Here, in contrast, there is no suggestion that an intervening event has undermined *the merits* of petitioner's counterclaim, such that petitioner's counterclaim could not succeed "no matter how the . . . issues in this suit are resolved." *Lewis*, 494 U.S. at 482. Respondent rather makes a purely factual, and wholly unsupported, contention of mootness.

## **2. Respondent Failed to Prove That Its Voluntary Acts Mooted Petitioner's Counterclaim.**

Respondent's brief makes no serious argument that petitioner lacks a "concrete interest, however small" (*Knox*, 132 S. Ct. at 2287 (quoting *Ellis*, 466 U.S. at 442)), in obtaining cancellation of the '905 Registration and related declaratory and injunctive relief. According to respondent, NIKE brand shoes embodying the design depicted in the '905 Registra-

tion were selling at a rate of “over approximately 100,000 pairs per month” at the time respondent delivered its covenant to petitioner. JA130a ¶ 3.

Designing and developing new athletic shoes is one of petitioner’s primary business activities. JA171a-174a. Respondent made no showing, much less an “absolutely clear” showing, that petitioner lacks a concrete interest in selling a YUMS version of the shoe depicted in the ‘905 Registration. Petitioner’s counterclaim asserts a “federal right to copy and to use” the design depicted in the ‘905 Registration. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 34 (2003) (quoting *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 165 (1989)). The ‘905 Registration impairs this claimed right and, indeed, is expressly contended to do so by respondent. The reality of this impairment is rendered no less by respondent’s fanciful assertion that petitioner has supposedly not expressed “desire” (Resp. Br. at 12) to exercise the freedom that the ‘905 Registration impairs.

Respondent also made no showing, much less an “absolutely clear” showing, that its covenant not to assert certain infringement claims against petitioner extinguished petitioner’s interest in avoiding the cost and risk of trying to guess whether future YUMS shoes might be deemed to infringe or dilute the purported trademark depicted in the ‘905 Registration. As previously noted (Pet. Br. at 9), respondent sued petitioner for selling YUMS-branded shoes that very clearly and obviously *did not* embody the combination of structural features that the ‘905 Registration states the registered mark “consists of.” SA1. When petitioner did not capitulate to respondent’s meritless claims, respondent attempted to engineer a disposition that would preserve the *in terrorem* value of the ‘905 Registration and leave petitioner exposed to future suits like this one. To anyone experienced in trademark practice, petitioner’s “interest” in *disarming* this respondent by establishing the invalidity of

respondent's purported trademark is not just "concrete," but is patently obvious.

Respondent also made no showing, much less an "absolutely clear" showing, *Adarand*, 528 U.S. at 224, that its voluntary acts extinguished petitioner's interest in avoiding the many procedural disadvantages that flow from the '905 Registration. As previously noted (Pet. Br. at 33), the '905 Registration constitutes "prima facie evidence of the validity of the registered mark," 15 U.S.C. § 1115(a); it shifts evidentiary burdens of proof, 15 U.S.C. § 1125(a)(3); and it enables respondent to seek "incontestable" status for the claimed mark under 15 U.S.C. § 1065. Absent cancellation relief, petitioner is faced with a threatened permanent loss of right to raise certain validity challenges. *See Park N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193-203 (1985) (validity of "incontestable" service mark could not be challenged on grounds of descriptiveness).

Disadvantage in business competition is a well-established form of injury in fact that is sufficient to support initial standing to sue. *See Northeastern Fla. Chapter of the Assoc. Gen. Contractors of Am. v. City of Jacksonville*, 508 U.S. 656, 664-66 (1993) (minority set-aside ordinance disadvantaged, and thereby injured, non-minority competitor-bidder). On this principle, federal courts have long exercised jurisdiction to review the lawfulness of PTO registration decisions in cases initiated under 15 U.S.C. § 1071. *See, e.g., Firsthealth of the Carolinas, Inc. v. Carefirst of Md., Inc.*, 479 F.3d 825, 828 (Fed. Cir. 2007) (reviewing denial of petition for cancellation of a registration); *McKesson & Robbins, Inc. v. Charles H. Phillips Chem. Co.*, 53 F.2d 342, 344-45 (2d Cir. 1931) (affirming district court judgment ordering cancellation of registration of generic term). The decision below is basically inconsistent with this large body of precedent, and a ruling in favor of the respondent would mean that judicial review of administrative trademark cancellation proceedings would have to become asymmetric, with many challengers

being unable to obtain federal court review of PTO agency actions.

In this case, moreover, the parties are direct competitors selling exactly the same types of products through the same distribution channels (JA175a-177a) so that the '905 Registration directly regulates *existing* legal and economic relations between the parties. *Cf. Nat'l Credit Union Admin. v. First Nat'l Bank & Trust Co.*, 522 U.S. 479, 488-99 (1998) (banks had initial standing to challenge lawfulness of agency action that exposed them to increased competition from credit unions); *Super Tire Eng'g Co. v. McCorkle*, 415 U.S. 115, 124 (1974) (challenge to validity of state statute providing unemployment benefits to economic strikers was not moot following settlement of strike, because statute affected ongoing economic relations between the parties).

Where a litigant "is himself *an object of*" challenged government action or inaction, "there is ordinarily little question that the action or inaction has caused him injury, and that a judgment requiring or preventing the action will redress it." *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 561-62 (1992) (emphasis added). *Cf. Village of Euclid v. Ambler Realty Co.*, 272 U.S. 365, 386, 396-97 (1926) (Article III jurisdiction upheld to hear facial challenge to the validity of a zoning ordinance that operated "of its own force" to reduce the value of the plaintiff's property), *cited with approval in MedImmune*, 549 U.S. at 129.

The principle cited in the immediately preceding paragraph is fully applicable to PTO grant decisions. In *Altwater v. Freeman*, 319 U.S. 359, 360-66 (1943), this Court considered a question of mootness in the context of a counterclaim challenging, among other things, the validity of an *unasserted* patent held by the plaintiff in an action for alleged breach of a patent license agreement. The plaintiff in *Altwater* had owned U.S. Patent No. 1,681,033 and had licensed it to the defendant in return for running royalties. Subsequently, after several of the claims of the '033 patent had been held invalid in unrelated litigation,

the plaintiff surrendered the '033 patent for cancellation in exchange for two "reissued" patents having very different scope from one another, Nos. 20,202 and 20,203. See 319 U.S. at 360 n.1.

A dispute then arose over whether the plaintiff's surrender of the '033 patent for cancellation resulted in termination of the parties' license agreement. The patentee sued the defendant for royalties based on defendant's use of certain cutting dies that allegedly fell within the scope of claim 6 of reissued patent No. 20,202. The defendant counterclaimed for judgment declaring, among other things, that *all* claims of *both* of the plaintiff's reissued patents were invalid. There was no suggestion that *all* claims of *both* patents were the subject of any threatened enforcement action by the patentee.<sup>2</sup>

Following a trial the district court dismissed the plaintiff's complaint and also granted the defendant's counterclaim prayer for judgment declaring that "the reissue patents Nos. 20,202 and 20,203 were invalid." *Freeman v. Altwater*, 130 F.2d 763, 764 (8<sup>th</sup> Cir. 1942). The patentee appealed. The Eighth Circuit initially affirmed the district court's judgment, 129 F.2d 494, but then on rehearing, was persuaded

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<sup>2</sup> Respondent purports to distinguish *Altwater* by asserting that "the patent" in that case "was being enforced against *other* products of the licensee." Resp. Br. at 28 (emphasis in original). In fact, the *Altwater* case involved *two* patents, one of which was never asserted by the plaintiff. In its initial discussion the Eighth Circuit referred only to "dies" of the defendant whose use was alleged to infringe claim 6 of reissued patent 20,202. 129 F.2d 494, 499-501. Reissued patent 20,203, by contrast, had forty (40) claims describing complex machines and methods of manufacturing shoes. Cf. *Cardinal Chem.*, 508 U.S. at 100 n.22 (stating that outcome in *Altwater* "did not depend" on existence of license).

to vacate so much of the district court's judgment as had declared the plaintiff's reissued patents invalid. The court reasoned that "when the court found no infringement, there then remained no justiciable controversy." 130 F.2d at 765.

This Court then granted certiorari and reversed. The Court stated:

Though the decision of non-infringement disposes of the bill and answer, it does not dispose of the counterclaim which raises the question of validity. . . . [W]e are of the view that the issues raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end . . . on the dismissal of the bill for non-infringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit. . . . A controversy was raging; even apart from the continued existence of the license agreement. . . . That controversy concerned the validity of the reissue patents. Those patents had many claims in addition to the single one involved in the issue of infringement. And petitioners were manufacturing and selling additional articles claimed to fall under the patents.

319 U.S. at 363-64, *rev'g* 130 F.2d 763.

*Altwater* thus held that a counterclaim like petitioner's can go "beyond" the issues that an infringement plaintiff elects to assert, and can rightly seek adjudication of the validity of PTO grant decisions that either form the basis of the plaintiff's complaint or, as in *Altwater*, are sufficiently *related* to a plaintiff's claim as to "form part of the same case or controversy under Article III." 28 U.S.C. § 1367(a). See also, *Bresnick v. United States Vitamin Corp.*, 139 F.2d 239, 242 (2d Cir. 1943) (L. Hand, J.) ("We have disposed of the patent as a whole because it has

seemed to us proper that it should not remain in the art as a scarecrow.”).

Both the holding and the reasoning of *Alvater* support an interpretation of “Cases” that includes authority to adjudicate a compulsory counterclaim where, as here, a plaintiff has filed an infringement suit and has relied on the presumptive validity of a PTO grant decision to give color to its claim. “A party seeking a declaratory judgment of invalidity presents a claim independent of the patentee’s charge of infringement.” *Cardinal Chem.*, 508 U.S. at 96. Waiver or dismissal of an infringement claim is not, and ought not to be, a basis for divesting a district court of Article III jurisdiction.

Petitioner intends to continue competing in the shoe market here. Petitioner’s president specifically alleged in his declaration that the company was in the process of designing and introducing both (i) new modifications of its existing “lines” of shoes (JA 173a ¶¶ 8-10, 13)—which modifications may or may not take the redesigned shoes outside the scope of the covenant not to sue for colorable imitations of petitioner’s past products—and also (ii) “new lines” of shoes (JA 173a ¶¶ 11, 12, 14), which are not mere modifications of existing lines and thus would seem to gain no protection from the covenant not to sue.

In the context of a pretrial motion to dismiss, a court must view the evidence of record in the light most favorable to the non-moving party and to draw all reasonable inferences in its favor. *See, e.g., USAA Cas. Ins. Co. v. Permanent Mission of Namibia*, 681 F.3d 103, 109 n.29 (2d Cir. 2012) (Cabrane, J.) (“in reviewing a decision under Rule 12(b)(1), we draw all reasonable inferences in the plaintiff’s favor”); *Cordoba v. McElroy*, 78 F. Supp. 2d 240, 245 (S.D.N.Y. 2000) (Kaplan, J.) (“In passing on subject matter jurisdiction disputes which depend upon facts outside the complaint, courts in this Circuit apply by analogy the standards that govern motions for summary judgment.”).

Respondent is therefore simply wrong to suggest that petitioner has not alleged "desire to produce a shoe that might be regarded as infringing and yet is not encompassed within the scope of the judgment and Covenant." Resp. Br. 12. At this stage of the litigation, petitioner's declaration vouching for its intent to produce new lines of shoes cannot fairly be construed as anything other than an intent to produce something truly new—i.e., something not merely a colorable imitation of its old shoe lines.

Further, the supposed absence of any intent to produce a shoe that "might be regarded as infringing" (Resp. Br. at 12) provides absolutely no security against petitioner being subject to the exact same injury that petitioner previously suffered by the commencement of this suit. Prior to being sued petitioner had no intent to infringe respondent's purported trademark. Petitioner obtained a letter from outside trademark counsel advising that the accused YUMS shoes did not infringe any rights of respondent. JA145a-156a. Petitioner also obtained from the PTO its own presumptively valid design patent that covered the configuration of the shoes it marketed. Sa2-6. None of this prevented respondent suing petitioner for alleged infringement and dilution of the purported trademark depicted in the '905 Registration.

Simply put, petitioner's desire or intent to produce or not to produce shoes that embody respondent's purported trademark is logically irrelevant to this case. If petitioner wants to produce such shoes, then even respondent agrees that there is continuing jurisdiction here. But even if petitioner wants to *avoid* producing such shoes, petitioner is in no better position—and has just as much risk of getting sued for its new lines of shoes—as it did prior to the commencement of this action. Furthermore if petitioner wants to avoid respondent's alleged trademark, that alternative also gives rise to additional injury, because petitioner has to expend resources avoiding—i.e., designing around—respondent's allegedly valid

trademark. Such design-around or avoidance costs plainly impose a concrete competitive burden on petitioner and thus easily satisfy Article III's injury in fact requirement.

In short, respondent's current position—that a once-sued competitor of respondent can just blithely go about its shoe business as if there were no risk of being sued again—simply ignores the commercial realities of how competition works, and indeed how competition is supposed to work in an environment where the government is arming persons like respondent with presumptively valid rights to exclude competition in the sale of claimed goods.

Respondent erroneously invokes the rule that this Court “will not ‘lightly overturn’ the concurrent findings of the two lower courts.” Resp. Br. at 23 (quoting *Easley v. Cromartie*, 532 U.S. 234 (2001)). But contrary to respondent's miscitation, *Easley* was a case that *went to trial*. No such trial was held here, so the rule stated in *Easley* is inapplicable. Moreover, the *Easley* rule cannot protect findings of lower courts that imposed the wrong standard of proof on the wrong party.

Respondent effectively urges the Court to fashion a special injury in fact “rule” (Resp. Br. at 15) under which unlawful impairment of a competitor's *freedom* to use a purported trademark does not qualify as injury in fact unless it is coupled with what respondent vaguely refers to as “*desire*” (Resp. Br. at 12, 16) to exercise such freedom. While agreeing with petitioner that respondent bore the burden of proving mootness in this case and failed to carry that burden, the government also urges the Court to adopt a special injury in fact rule under which a special “burden of production” would be put on persons challenging unlawful PTO grant decisions and such decisions could never be deemed to injure a competitor of a grantee unless the competitor presented “concrete *plans*” that the PTO's unlawful action upset. SG Br. at 25 (emphasis added).

The Court should decline to adopt the special injury in fact and burden-shifting rules proposed by respondent and the government for several reasons. This Court has held that federal court jurisdiction to review claims challenging the validity of PTO grant decisions is governed by the same Article III standards as govern all other claims asserted in federal courts. See generally *MedImmune*, 549 U.S. 118. Suppressed “desire” and aborted “plans” are certainly *among* the types of injuries that can flow from an unlawful registration of trademark-ineligible subject matter, but they are not the *only* forms of injury that an unlawful PTO grant decision can cause. Unlawful government action can, indeed, inhibit the *formulation* of otherwise lawful business plans. Cf. *United States v. Storer Broad. Co.*, 351 U.S. 192, 200 (1956) (broadcaster had standing to challenge lawfulness of FCC rule limiting acquisitions of broadcasting facilities, in part because broadcaster could not “cogently plan its present or future operations”).

The government asserts that a person who seeks to challenge the validity of a trademark must in all cases show that “it faces a ‘genuine threat of enforcement’” (SG Br. at 15) (quoting *MedImmune*, 549 U.S. at 129). The cited passage from *MedImmune*, however, was merely describing the facts of one previous case, *Terrace v. Thompson*, 263 U.S. 197 (1923), in which a threat of enforcement happened to be present. In the very same paragraph of its opinion in *MedImmune*, the Court cited *Village of Euclid v. Ambler Realty Co.*, 272 U.S. 365 (1926), a case in which this Court expressly rejected the blanket proposition that the government now puts forward.

*Euclid* held that a property owner had standing to make a facial challenge to the constitutionality of a zoning ordinance which purported to restrict what could be built on the complainant’s property and thus lowered the value of the property. The plaintiff alleged that the ordinance “of its own force” had caused a diminution in the value of its property – essentially the same type of economic injury that peti-

tioner's investor declarations evidenced here. *Id.* at 386. The Court continued, "the existence and maintenance of the ordinance, in effect, constitutes a present invasion of appellee's property rights and a threat to continue it. Under these circumstances, the equitable jurisdiction is clear." *Id.*

*Euclid* illustrates that in some cases, government regulation can, "of its own force" (*id.*), cause injury to a person whose freedom or property is directly regulated by the action. "It is common experience that men [and women] conform their conduct to regulations by governmental authority so as to avoid the unpleasant legal consequences which failure to conform entails." *Columbia Broad. Sys., Inc. v. United States*, 316 U.S. 407, 418 (1942). At least where, as here, the parties are direct competitors and a PTO registration has been used to give color to a claim of alleged infringement, the evidentiary and substantive effects of the registration fall easily within the category of disadvantages that this Court has held sufficient to constitute injury in fact for Article III purposes. *Cf. Northeastern Fla.* 508 U.S. at 664-66 (ordinance disadvantaged, and thereby injured, non-minority competitor-bidder); *Super Tire*, 415 U.S. at 124 (statute disadvantaged, and thereby injured, employer of potential economic strikers).

Respondent's and the government's arguments are also contrary to the long history of federal courts reviewing the lawfulness of PTO registration decisions in cases initiated under 15 U.S.C. § 1071. *See, e.g., Aktieselskabet AF 21 v. Fame Jeans, Inc.*, 525 F.3d 8, 13-14 (D.C. Cir. 2008); *Firsthealth of the Carolinas, Inc. v. Carefirst of Md., Inc.*, 479 F.3d 825, 828 (Fed. Cir. 2007). These decisions reflect that invalid registrations of purported trademarks can cause procedural, informational, competitive, reputational, and other injuries even in the absence of a threat of enforcement.

### 3. The Court Should Reject the Government's Suggestion That the District Court Force Petitioner to Exhaust an Inadequate PTO Remedy.

The meaning of “Cases” in Article III of the Constitution is plainly independent of whether there might exist any administrative proceeding in the PTO. Nonetheless, the government suggests that district court should be instructed that it can relegate petitioner to exhausting this administrative remedy. That suggestion should be rejected.

As previously mentioned (and as the government acknowledges), the administrative remedy is plainly inadequate as the PTO lacks both constitutional and statutory authority to adjudicate the dispute between petitioner and respondent over the validity of respondent’s alleged state-law trademark rights. The PTO also “is not authorized to determine the right to use” a claimed trademark. *Carefirst*, 479 F.3d at 828 (quoting Trademark Board Manual of Procedure § 102.01) (emphasis added)),

Further, the statutory scheme here reflects Congress’s intent to provide for independent *de novo* judicial determinations as to whether a trademark should be canceled. In addition to 15 U.S.C. § 1119, which plainly allows independent court determinations and is a statutory basis of petitioner’s counterclaim, Congress also provided 15 U.S.C. § 1071(b), which allows parties seeking cancellation to initiate a *de novo* review proceeding in district court to decide cancellation matters *de novo* even after administrative cancellation proceedings. *Cf. Kappos v. Hyatt*, 132 S. Ct. 1690 (2012) (construing patent law analogue to § 1071(b) to authorize *de novo* proceedings). Thus, considerations of the inadequacy of the administrative remedy and of the congressional intent to permit independent judicial determinations both militated in favor of the district court retaining not declining jurisdiction.

Contrary to respondent’s suggestion, it is far from “settled” (Resp. Br. at 2) that the structural

configuration of a product can rightly be deemed a “mark” that is “placed . . . on” “goods” within the meaning of 15 U.S.C. § 1127 (defining “use in commerce”). Cf. *Dastar*, 539 U.S. at 37 (rejecting claim under 15 U.S.C. § 1125(a) whose recognition “would create a species of perpetual patent”).

The text of the Lanham Act pointedly omits “configuration of goods” from the categories of subject matter that are eligible for registration on the principal register.<sup>3</sup> Cf. *KP Permanent Make-Up Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 118 (2004) (“where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.”) (quoting *Russello v. United States*, 464 U.S. 16, 23 (1983)).<sup>4</sup>

In *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001), this Court reversed a judg-

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<sup>3</sup> Compare 15 U.S.C. § 1127 (describing subject matter eligible for registration on the principal register and omitting “configuration of goods”) with 15 U.S.C. § 1091(c) (“configuration of goods” listed as eligible for registration on the supplemental register). See also Pet. Br. at 4 n.2.

<sup>4</sup> Respondent’s assertion that the shoe depicted in the ‘905 Registration purportedly “has taken on ‘secondary meaning’” (Resp. Br. at 2) is unsupported and erroneous. Respondent did not establish this or any other factual allegation of its complaint, but suffered the dismissal of its complaint with prejudice. Equally importantly, this Court has held that patent law limits recognition of product *configurations* as trademarks even though “the configuration of the article copied may have a ‘secondary meaning’ which identifies the maker to the trade.” *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 238 (1964).

ment of “trade dress” infringement and held that a product configuration disclosed in an expired utility patent was, in trademark law parlance, “functional” and unprotectable for that reason. *Id.* at 34-35. The Court in *TrafFix* thus had no need to reach, and did not resolve, the broader trademark-*eligibility* question that petitioner’s counterclaim raises here. *Cf. Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1304 (2012) (holding claimed method patent-ineligible under 35 U.S.C. § 101 and noting that other limits on patent protection may not be “equipped to” do the “work” of § 101).

This Court has “observed a notorious difference between the standards applied by the Patent Office and by the courts.” *Graham v. John Deere Co.*, 383 U.S. 1, 18 (1966). The present case bears witness to this continuing reality. If petitioner is to establish that it has “a federal right ‘to copy and to use’” the shoe configuration depicted in the ‘905 Registration, *Dastar*, 539 U.S. at 34 (quoting *Bonito Boats*, 489 U.S. at 165, its only meaningful opportunity to do so lies in a federal court.

### CONCLUSION

The Court should reverse the judgment of the Second Circuit and hold that, on the record of this case, the district court had Article III jurisdiction to adjudicate whether petitioner is entitled to the relief sought in paragraphs (ii)-(vi) and (viii) of its compulsory counterclaim filed November 19, 2009.

Respectfully submitted,

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**AMICUS  
CURIAE  
BRIEF**

**In the Supreme Court of the United States**

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ALREADY, LLC, D/B/A YUMS, PETITIONER

*v.*

NIKE, INC.

---

ON WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

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BRIEF FOR THE UNITED STATES AS AMICUS CURIAE  
SUPPORTING VACATUR AND REMAND

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## QUESTION PRESENTED

Whether a trademark holder's delivery of a covenant not to enforce the mark against the competitor's existing products and "colorable imitations" of those products moots the competitor's action for a declaratory judgment that the trademark is invalid.



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# In the Supreme Court of the United States

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No. 11-982

ALREADY, LLC, D/B/A YUMS, PETITIONER

*v.*

NIKE, INC.

---

*ON WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT*

---

**BRIEF FOR THE UNITED STATES AS AMICUS CURIAE  
SUPPORTING VACATUR AND REMAND**

---

## **INTEREST OF THE UNITED STATES**

This case concerns whether, and in what circumstances, a declaratory judgment action challenging the validity of a federally registered trademark can be rendered moot by the trademark holder's delivery of a binding covenant not to sue the plaintiff for trademark infringement. The United States Patent and Trademark Office (PTO) plays a central role in the administration of the federal trademark system. See 15 U.S.C. 1051 *et seq.* In particular, the PTO's Trademark Trial and Appeal Board has statutory responsibility to decide whether trademarks should be registered, 15 U.S.C. 1051-1052, and to adjudicate the validity of federal trademarks in the context of petitions for cancellation of registration and other proceedings, see 15 U.S.C. 1064. The

United States therefore has a substantial interest in the question presented.

### STATEMENT

1. In the Trademark Act of 1946 (Lanham Act), ch. 540, 60 Stat. 427 (15 U.S.C. 1051 *et seq.*), Congress created a comprehensive national registration system for trademarks and established a federal administrative and judicial framework for protecting trademarks against infringement, dilution, and unfair competition. The Lanham Act defines a trademark as “any word, name, symbol, or device, or any combination thereof” that is used “to identify and distinguish [a person’s] goods \* \* \* from those manufactured or sold by others and to indicate the source of the goods.” 15 U.S.C. 1127.

The “owner of a trademark used in commerce” may apply to the PTO to register the mark on PTO’s “principal register.” 15 U.S.C. 1051(a)(1); 35 U.S.C. 2(a). In determining whether to register the mark, the PTO evaluates whether the mark satisfies the statutory definition of a trademark and complies with other requirements, including that the mark not be “merely descriptive” and that it not “comprise[] any matter that, as a whole, is functional.” 15 U.S.C. 1052(e). While the Lanham Act provides protection against the infringement of unregistered trademarks, see 15 U.S.C. 1125(a), registration constitutes *prima facie* evidence of the validity of the mark and confers certain other protections. See 15 U.S.C. 1057(b) (2006 & Supp. IV 2010); 15 U.S.C. 1115(a).

Any person “who believes that he is or will be damaged” by the registration of a trademark may apply to the PTO’s Trademark Trial and Appeal Board (TTAB) to “cancel a registration of [the] mark” on the ground that it does not comply with a statutory requirement.

15 U.S.C. 1064. The cancellation proceeding is an adversarial one in which the parties may conduct discovery and present evidence in accordance with the Federal Rules of Civil Procedure and Evidence. 37 C.F.R. 2.120(a), 2.122(a). A party who is “dissatisfied” with the TTAB’s decision may seek judicial review in the Federal Circuit or in district court. 15 U.S.C. 1071 (2006 & Supp. IV 2010).

A trademark holder may bring a civil action for infringement against any person who, without consent and in a manner likely to cause confusion, “use[s] in commerce any reproduction[] \* \* \* or colorable imitation of a registered mark in connection with the sale” or advertising of goods or services. 15 U.S.C. 1114(1)(a); see also 15 U.S.C. 1125(a). A party who faces a threat that the trademark owner will enforce its rights, or who has been sued for infringement, may bring a claim under the Declaratory Judgment Act, 28 U.S.C. 2201 *et seq.*, seeking a declaration that the trademark is invalid. In an “action involving a registered mark,” a party may also seek an order directing the PTO to cancel the registration. 15 U.S.C. 1119.

2. a. Respondent owns a registered trademark consisting of certain exterior design elements for use on its “Air Force 1” basketball shoe.<sup>1</sup> See Registration No. 3,451,905 (the ’905 registration); S.J.A. 1. The mark was registered pursuant to Section 2(f) of the Lanham Act,

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<sup>1</sup> Specifically, the trademark encompasses “the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other.” S.J.A. 1.

15 U.S.C. 1052(f), based on respondent's showing that the mark had acquired distinctiveness as used on footwear. Cf. *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 28 (2001) ("trade dress can be protected under federal law"). Petitioner is a competing shoe manufacturer that sells a line of athletic shoes. Pet. App. 22a.

Respondent initiated this action against petitioner, alleging, *inter alia*, that certain of petitioner's shoes infringed and diluted Nike's Air Force 1 trademark. J.A. 36a-44a. Petitioner responded by filing a counterclaim under the Declaratory Judgment Act. Petitioner sought a declaration that the mark depicted in the '905 registration is invalid under federal and New York law, and, alternatively, that petitioner's accused shoe design did not infringe or dilute respondent's trademark. J.A. 55a-58a. Based on its invalidity counterclaim, petitioner also asked the district court to cancel respondent's registration pursuant to 15 U.S.C. 1119. J.A. 58a.

During discovery, respondent delivered to petitioner and filed with the district court an executed covenant not to sue. In that covenant, respondent "unconditionally and irrevocably" agreed to "refrain from making any claim(s) or demand(s), or from commencing, causing, or permitting to be prosecuted any action in law or equity" against petitioner or its related businesses

on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law in the United [States] relating to the NIKE Mark based on the appearance of any of [petitioner's] current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, adver-

tised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant.

J.A. 142a-143a.

After delivering the covenant not to sue, respondent moved to voluntarily dismiss its claims against petitioner with prejudice, and to dismiss petitioner's invalidity counterclaims on the ground that the covenant had eliminated any continuing case or controversy. Pet. App. 4a-5a. Petitioner opposed dismissal of its invalidity counterclaim, arguing that respondent should bear the burden of establishing that its voluntary cessation had mooted the case, and that respondent could not satisfy that burden. Pet. Br. 16; Pet. App. 25a. In support of its argument that a concrete controversy survived respondent's covenant, petitioner presented an affidavit of its president, who stated that petitioner had plans to introduce new versions of its shoe lines into the market, J.A. 171a-174a; affidavits from three potential investors, who asserted that they would not consider investing in petitioner's business until respondent's registration was cancelled, J.A. 168a-170a, 178a-183a; and an affidavit from one of petitioner's executives, who stated that respondent had intimidated retailers into refusing to carry petitioner's shoes, J.A. 175a-177a.

b. The district court dismissed petitioner's counterclaims. Pet. App. 21a-39a. The court held that petitioner, as the party "seeking to invoke the Court's declaratory judgment jurisdiction, \* \* \* bears the burden of demonstrating that the Court has subject matter jurisdiction over its counterclaims." *Id.* at 25a. The court therefore required petitioner to establish that a concrete controversy survived the covenant, either because the covenant "does not extend to future sales of the same product as was previously sold," or because petitioner

had “taken meaningful preparatory steps toward developing new or updated products not covered by the covenant not to sue.” *Id.* at 29a (internal quotation marks, alterations, and citations omitted).

The district court concluded that petitioner had failed to demonstrate an ongoing case or controversy, and the court accordingly dismissed the counterclaims. Pet. App. 29a, 38a. The court read the covenant “broad[ly],” concluding that “any of [petitioner’s] future products that arguably infringed the Nike Mark would be ‘colorable imitations’” of petitioner’s current shoe lines, and therefore protected by the covenant. *Id.* at 29a n.2 (quoting covenant). The court also concluded that petitioner had not presented evidence that it had made meaningful preparations to sell shoes that might fall outside the covenant’s protections. *Id.* at 31a.

The court also denied petitioner’s application for attorney’s fees under the Lanham Act, 15 U.S.C. 1117(a), finding no evidence that respondent had brought its infringement suit in bad faith. Pet. App. 38a-39a.

2. The court of appeals affirmed. Pet. App. 1a-20a. The court explained that, under this Court’s decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007), which discussed the showing necessary to establish that a request for a declaration that a patent is invalid presents an Article III controversy, the dispute between the parties must be “real and substantial.” Pet. App. 11a. In determining whether a covenant not to sue “eliminates a justiciable case or controversy,” the court found relevant “(1) the language of the covenant, (2) whether the covenant covers future, as well as past, activity and products, and (3) evidence of intention \* \* \* on the part of the party asserting jurisdiction” to engage in conduct not covered by the covenant. *Id.* at 13a.

The court concluded that it was “hard to imagine a scenario that would potentially infringe the ’905 mark and yet not fall under the Covenant,” and that petitioner “has not asserted any intention to market any such shoe.” Pet. App. 14a. The court found petitioner’s investor affidavits to be insufficient to support Article III jurisdiction, reasoning that “potential investor concerns about infringement lawsuits against the company, despite [respondent’s] broad Covenant, fail to establish the sort of genuinely adverse legal interests \* \* \* that *MedImmune* requires.” *Id.* at 15a-16a. The court also rejected petitioner’s argument that the cancellation remedy provided in 15 U.S.C. 1119 provides an independent basis of federal subject matter jurisdiction.<sup>2</sup> Pet. App. 17a-18a. Finally, the court affirmed the district court’s denial of attorney’s fees. *Id.* at 20a.

#### SUMMARY OF ARGUMENT

When it was filed, petitioner’s declaratory judgment counterclaim presented a case or controversy within the district court’s jurisdiction. When respondent withdrew its infringement claims and provided petitioner with a covenant not to sue, the question became whether these post-filing events eliminated the controversy, rendering the case moot. Because respondent contends that its voluntary alteration of its own conduct—its decision not to enforce its trademark against petitioner, and its provision of a covenant not to sue—renders the invalidity claim moot, the case should be analyzed under the “voluntary cessation” doctrine. See *Friends of the Earth, Inc. v. Laidlaw Envtl. Servs. (TOC), Inc.*, 528 U.S. 167, 189-190 (2000). Thus, respondent should be required to demonstrate that, in view of the covenant’s terms and

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<sup>2</sup> Petitioner does not renew that argument before this Court.

the activities in which petitioner currently engages or has plans to engage, it is “absolutely clear” that a concrete dispute between the parties “could not reasonably be expected to recur.” *Id.* at 190. Because the lower courts did not require respondent to make that showing, and because both the scope of the covenant and petitioner’s planned business activities are unclear from the record, this Court should remand the case for further proceedings.

I. Article III of the Constitution requires that an “actual controversy” between the parties “must be extant” not only “at the time the complaint is filed,” but also through “all stages” of the litigation. *Alvarez v. Smith*, 130 S. Ct. 576, 580 (2009). The dispute between the parties must at all times remain “definite and concrete, touching the legal relations of parties having adverse legal interests.” *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007).

When it was filed, petitioner’s request for a declaration that respondent’s trademark was invalid presented an Article III controversy. A party who wishes to engage in conduct that may infringe a trademark may file suit under the Declaratory Judgment Act, 28 U.S.C. 2201(a), to seek a declaration of invalidity without first exposing itself to liability. Such a suit presents an Article III controversy if the declaratory judgment plaintiff faces a “genuine threat of enforcement” that has deterred it from engaging in conduct that may infringe the mark. *MedImmune*, 549 U.S. at 129. Here, that standard was satisfied, as respondent had not only threatened enforcement, but had filed an infringement action against petitioner.

Respondent’s midstream dismissal of its infringement claims, and its provision of a covenant not to sue

for future acts of infringement, had the potential to vitiate the controversy that formed the basis for petitioner's request for a declaratory judgment by eliminating any reasonable prospect that the trademark would have an impact on petitioner's current or planned business activities. In that event, any continuing disagreement between the parties over the validity of the trademark would be simply an abstract dispute that does not suffice to create a live, justiciable controversy. See *Lewis v. Continental Bank Corp.*, 494 U.S. 472, 479 (1990).

Contrary to petitioner's argument, the public interest in preventing possibly invalid trademarks from inhibiting competitive activity does not counsel against permitting trademark owners to use covenants to moot invalidity suits. To moot an action, a covenant must eliminate a reasonable likelihood that the trademark owner will be able to enforce the trademark based on the plaintiff's current or planned business activities—thus obviating the trademark's inhibitive effect on the plaintiff's business. The possibility that the trademark owner might enforce its trademark against others not before the court is insufficient to sustain Article III jurisdiction in the absence of a controversy between the parties.

Whether a trademark owner's covenant moots the case should be evaluated under the established standard for determining whether a defendant's voluntary cessation renders a case moot. The trademark holder should be required to demonstrate that it is "absolutely clear" that a concrete dispute between the parties "could not reasonably be expected to recur." *Friends of the Earth*, 528 U.S. at 190. That inquiry will turn on both the scope of the covenant and the declaratory judgment plaintiff's intended activities. Because information concerning the latter point is uniquely within the plaintiff's possession,

the plaintiff should bear the burden of identifying activities that it believes may not be covered by the covenant. Ultimately, if the trademark holder persuades the court that the covenant is broad enough to eliminate any reasonable likelihood that the activities the plaintiff has identified will be deterred by the threat of enforcement, the court should dismiss the case as moot.

Even if a case is not moot, however, the court in a declaratory judgment action has equitable discretion to dismiss the suit if it determines that declaratory relief is not warranted. *United States v. W.T. Grant Co.*, 345 U.S. 629, 632 (1953). In undertaking that assessment, the court should take into account the declaratory judgment plaintiff's ability to seek cancellation of the trademark before the PTO, a procedure that enables the agency to apply its expertise in the first instance.

II. This Court should remand the case to permit the lower courts to apply the correct standard. Because the lower courts did not require respondent to demonstrate that a concrete dispute between the parties could not reasonably be expected to recur, the factual record is not sufficiently developed to determine whether respondent can satisfy that burden. In particular, the parties have not had the opportunity to develop evidence on both the scope of the covenant and petitioner's business activities in light of the proper standard. If the district court determines on remand that the case is not moot, it can consider whether adjudication of the declaratory judgment counterclaim represents a sound exercise of its discretion.

## ARGUMENT

### I. IN AN ACTION SEEKING A DECLARATION THAT A TRADEMARK IS INVALID, THE TRADEMARK OWNER'S COVENANT NOT TO SUE MAY RENDER THE ACTION MOOT IF THE TRADEMARK HOLDER DEMONSTRATES THAT IT IS ABSOLUTELY CLEAR THAT A CONCRETE DISPUTE BETWEEN THE PARTIES IS NOT REASONABLY LIKELY TO RECUR

#### A. Article III Requires That A Live Controversy Persist Throughout An Action, But Different Standards Are Used To Determine Whether A Controversy Exists At The Outset Of A Suit And Whether It Has Been Mooted By Post-Filing Events

Article III of the Constitution grants the Judicial Branch authority to adjudicate “Cases” or “Controversies.” U.S. Const. Art. III, § 2. As a result, an “actual controversy must be extant” not only “at the time the complaint is filed,” but also through “all stages” of the litigation. *Alvarez v. Smith*, 130 S. Ct. 576, 580 (2009). The dispute between the parties must at all times remain “definite and concrete, touching the legal relations of parties having adverse legal interests.” *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007) (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-241 (1937) (*Aetna*)). Thus, “[t]hroughout the litigation, the party seeking relief must have suffered, or be threatened with, an actual injury traceable to the defendant and likely to be redressed by a favorable judicial decision.” *United States v. Juvenile Male*, 131 S. Ct. 2860, 2864 (2011) (quoting *Spencer v. Kemna*, 523 U.S. 1, 7 (1998)).

At the outset of an action, the existence of an Article III controversy is generally evaluated under the rubrics of standing and ripeness. See *MedImmune*, 549 U.S. at

128 n.8. The doctrine of standing requires the party invoking federal court jurisdiction to demonstrate the existence of a live controversy—a concrete dispute between the parties—by showing that he has suffered an injury in fact, caused by the defendant’s allegedly unlawful conduct, that can be redressed by a judicial decree. See, e.g., *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 559-561 (1992). The plaintiff thus must demonstrate that, under the facts as they prevailed at the time suit was filed, *id.* at 569 n.4, he has a “personal interest \* \* \* at the commencement of the litigation,” *Arizona for Official English v. Arizona*, 520 U.S. 43, 68 n.22 (1997). Ripeness doctrine, which rests on both Article III and prudential considerations, similarly requires the plaintiff to demonstrate that the controversy is “felt in a concrete way by the challenging part[y],” and that the issues are not simply “abstract disagreements,” but rather, are sufficiently well-defined to be “appropriate for judicial resolution.” *Abbott Labs. v. Gardner*, 387 U.S. 136, 148-149 (1967); see *National Park Hospitality Ass’n v. Department of the Interior*, 538 U.S. 803, 807-808 (2003).

When a party contends that factual or legal developments *since* the filing of suit have eliminated the case or controversy, the doctrine of mootness applies. *Spencer*, 523 U.S. at 7. Because mootness, like standing and ripeness, gives effect to Article III’s case or controversy requirement, *ibid.*, a case becomes moot “when the issues presented are no longer ‘live’ or the parties lack a legally cognizable interest in the outcome,” *Murphy v. Hunt*, 455 U.S. 478, 481 (1982) (per curiam) (internal quotation marks omitted), or when “it is impossible for a court to grant any effectual relief whatever to the prevailing party,” *Knox v. Service Employees Int’l Union*,

*Local 1000*, 132 S. Ct. 2277, 2287 (2012) (internal quotation marks omitted). Even if the parties “continue to dispute the lawfulness” of the conduct that gave rise to the lawsuit, the case is moot if “that dispute is no longer embedded in any actual controversy about the plaintiffs’ particular legal rights.” *Alvarez*, 130 S. Ct. at 580.

Like principles of standing and ripeness, mootness doctrine serves to determine whether an Article III controversy exists. In some respects, however, the mootness inquiry is guided by rules distinct from the doctrines that apply when a plaintiff initially seeks to invoke federal jurisdiction. See *Friends of the Earth, Inc. v. Laidlaw Env’tl. Servs. (TOC), Inc.*, 528 U.S. 167, 190 (2000). Under certain “long-recognized exceptions” to mootness, “there are circumstances in which the prospect that a defendant will engage in (or resume) harmful conduct may be too speculative to support standing, but not too speculative to overcome mootness.” *Ibid.*

This case involves the exception to mootness that applies when a defendant contends, in the context of a suit for prospective relief, that its voluntary conduct has obviated the plaintiff’s interest in the action. Ordinarily, “voluntary cessation of allegedly illegal conduct does not deprive the tribunal of power to hear and determine the case, *i.e.*, does not make the case moot.” *United States v. W.T. Grant Co.*, 345 U.S. 629, 632 (1953). Dismissing a suit as moot in that circumstance would leave the defendant “free to return to [its] old ways after the threat of a lawsuit ha[s] passed.” *Iron Arrow Honor Soc’y v. Heckler*, 464 U.S. 67, 72 (1983) (*per curiam*) (internal quotation marks omitted). The defendant’s voluntary cessation of the challenged acts therefore does not vitiate the plaintiff’s concrete interest in resolving the “dispute over the legality of the challenged practices,” un-

less it is clear that those practices are unlikely to recur. *W.T. Grant Co.*, 345 U.S. at 632. Absent that assurance, “[a] controversy may remain to be settled.” *Ibid.* A “defendant claiming that its voluntary compliance moots a case” therefore “bears the formidable burden of showing it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur.” *Friends of the Earth, Inc.*, 528 U.S. at 190.

This standard, and its placement of the burden on the defendant claiming mootness, balances concerns about manipulation of the court’s jurisdiction with Article III’s case or controversy requirement. When a defendant takes actions that subject it to suit, and later argues that it has changed its behavior and that the suit therefore should be dismissed, the court must guard against the possibility that the defendant is attempting to manipulate the court’s jurisdiction in order to preserve its ability to engage in the challenged conduct in the future. See, e.g., *Gwaltney of Smithfield, Ltd. v. Chesapeake Bay Found., Inc.*, 484 U.S. 49, 66-67 (1987). That concern makes it appropriate to place the heavy burden of establishing mootness on the defendant. At the same time, that burden is not, and should not be, impossible to satisfy, because concerns about manipulation cannot override Article III’s requirements. If the defendant demonstrates that it is absolutely clear that the challenged conduct is not reasonably likely to recur, then the plaintiff lacks any continuing interest in establishing the illegality of the conduct, and no Article III controversy remains. See *ibid.* That is so even if the defendant’s abandonment of the challenged conduct was prompted by a desire to moot the case and avoid adjudication.

**B. Petitioner's Counterclaim For A Declaration Of Invalidity Presented A Live Controversy At The Time It Was Filed**

1. Under the Declaratory Judgment Act, a party who wishes to engage in conduct that may infringe a patent or trademark may seek a declaration of invalidity without first exposing itself to liability. *MedImmune*, 549 U.S. at 129-130; 28 U.S.C. 2201(a) (a plaintiff may obtain a declaration of "the rights and other legal relations of any interested party" in "case[s] of actual controversy"). To satisfy the requirements of Article III, a declaratory judgment action must present a sufficiently "definite and concrete" dispute between the parties to permit the court to resolve the parties' "adverse legal interests," rather than merely "advising what the law would be upon a hypothetical state of facts." *MedImmune*, 549 U.S. at 127; see also *Aetna*, 300 U.S. at 240-241.

A plaintiff seeking a declaration of trademark invalidity must therefore demonstrate that it faces a "genuine threat of enforcement"—such as a threatened infringement action by the trademark holder—that has deterred it from engaging in particular conduct that may infringe the mark. *MedImmune*, 549 U.S. at 129. The threatened enforcement action need not have come to pass, nor need it be "imminent." *Ibid.* Just as in declaratory actions challenging the validity of a statute, the declaratory judgment plaintiff need not actually expose itself to liability, so long as it has been effectively "coerced" by the threat of enforcement into forgoing conduct that would be legal if the trademark were invalid. *Ibid.* (drawing parallel to declaratory judgment actions challenging statutes as invalid); see, e.g., *Steffel v. Thompson*, 415 U.S. 452, 459, 475 (1974). "The dilemma posed by that coercion—putting the challenger to the choice

between abandoning his rights or risking” enforcement—creates a live controversy under Article III. *MedImmune*, 549 U.S. at 129.

While the threat of enforcement need not be imminent, it must be real. Absent any genuine threat of enforcement against the plaintiff itself, a plaintiff’s desire to establish the invalidity of a trademark is insufficient to create a live controversy. In that circumstance, a declaration that the trademark is invalid would not address any actual injury by enabling the plaintiff to engage in particular conduct that it had previously been induced to forgo. The plaintiff would therefore lack the necessary concrete interest in the trademark’s validity. While the plaintiff might disagree with the trademark holder about whether the mark is valid, that abstract disagreement about a question of law does not in itself create a live controversy under Article III. See, e.g., *Lewis v. Continental Bank Corp.*, 494 U.S. 472, 479 (1990) (plaintiff “must establish that it has a specific live grievance against the application of the statutes,” not just an “abstract disagree[men]t over the constitutionality of such application”) (brackets in original; internal quotation marks omitted); *Babbitt v. United Farm Workers Nat’l Union*, 442 U.S. 289, 298-299 (1979) (plaintiff must demonstrate threat of enforcement); *United Pub. Workers v. Mitchell*, 330 U.S. 75, 86-91 (1947) (same).

2. Here, the district court had Article III jurisdiction over petitioner’s invalidity counterclaim when that claim was filed. The dispute between the parties was not the sort of abstract disagreement over the validity of respondent’s trademark, divorced from any concrete effect on petitioner’s conduct of its business, that would be insufficient to create a controversy. Indeed, while a threat of future enforcement that inhibited petitioner’s com-

mercial activities would have been sufficient to establish jurisdiction, see *MedImmune*, 549 U.S. at 130, petitioner had “actually been charged with infringement” of respondent’s trademark, *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 96 (1993), when it filed its declaratory-judgment counterclaim. As a result, “there [was], *necessarily*, a case or controversy adequate to support jurisdiction of a complaint, or a counterclaim, under the [Declaratory Judgment] Act.” *Ibid.*

**C. The Jurisdictional Question Presented By Respondent’s Execution Of A Covenant Not To Sue Is Whether This Case Is Moot, And That Question Should Be Analyzed Under The “Voluntary Cessation” Framework**

Because petitioner’s invalidity counterclaim presented an Article III controversy when it was filed, the question currently before the Court is whether post-filing events have rendered the case moot. Respondent’s mootness argument is premised on its own provision of a covenant not to sue, and not on any abandonment by petitioner of the commercial activities that respondent previously alleged to be infringing. The mootness issue is therefore properly analyzed under the framework developed by this Court for cases involving a defendant’s “voluntary cessation” of allegedly unlawful conduct.

***1. A covenant not to sue may render an invalidity challenge moot***

A sufficiently broad covenant not to sue may render moot an action seeking a declaration of invalidity by freeing the declaratory judgment plaintiff to engage in its desired activities without any threat of enforcement. Petitioner is therefore incorrect in contending (Br. 33-

34; see Br. 23-24) that “[n]o covenant, no matter how broad, can eradicate” a live controversy.

In an action seeking a declaration of invalidity, the existence of an Article III controversy turns on the plaintiff’s demonstration that the prospect of trademark enforcement has a concrete impact on its business activities. *MedImmune*, 549 U.S. at 129-130. For that reason, post-filing actions that eliminate any meaningful prospect that the trademark will have an impact on the plaintiff’s business will moot the case. See *Golden v. Zwickler*, 394 U.S. 103, 109-110 (1969) (action seeking declaration that statute was invalid was moot where possibility that plaintiff would face enforcement in the future was “wholly conjectural”); *Steffel*, 415 U.S. at 460. To be sure, a prediction of future enforcement that would be too speculative to establish an Article III controversy at the outset of a case may be sufficiently plausible to prevent a previously live dispute from becoming moot. But if all realistic prospect of enforcement against the plaintiff is eliminated, so that the trademark ceases to have any concrete effect on the plaintiff’s current or anticipated conduct, the plaintiff no longer has a cognizable interest in establishing the trademark’s invalidity. See *Lewis*, 494 U.S. at 479. A sufficiently broad covenant not to sue could achieve that result by rendering the trademark owner legally unable to enforce the mark against anything the plaintiff is doing or plans to do. Cf. *Deakins v. Monaghan*, 484 U.S. 193, 200 n.4 (1988) (finding case moot where plaintiffs would be legally unable to assert the same claims against the same defendants in the future).

Petitioner is therefore wrong to contend (Br. 23, 25) that a covenant not to sue can never moot an invalidity action if the parties continue to disagree about whether

the trademark is valid. A dispute over that legal principle would be insufficient to establish a case or controversy at the outset of an action, see p. 16, *supra*, and it is also insufficient to support jurisdiction once a plaintiff no longer has any concrete stake in the court's resolution of that disagreement. See *Lewis*, 494 U.S. at 479 (case was moot despite "abstract disagree[men]t" over the constitutionality of challenged statute).

That is so even though dismissing a case as moot on the basis of a covenant not to sue the declaratory judgment plaintiff would allow the trademark holder to continue to enforce its rights against *other* competitors who are not parties to the suit. But cf. Pet. Br. 27, 40-43. "[T]he Article III question is not whether the requested relief would be nugatory as to the world at large, but whether [the plaintiff] has a stake in that relief." *Lewis*, 494 U.S. at 479. Accordingly, the Court has always evaluated mootness by examining the continuing interests possessed by the parties to the suit, not those of hypothetical third parties or the public at large. See, e.g., *Vitek v. Jones*, 445 U.S. 480, 486-487 (1980) (evaluating whether the "reality of the controversy between [the plaintiff] and the State has \* \* \* been lessened" by the State's voluntary cessation, and concluding that the case was not moot because the plaintiff himself could be subject to the same official conduct in the future); see also *FEC v. Wisconsin Right To Life, Inc.*, 551 U.S. 449, 462 (2007) (case is not moot if dispute is capable of repetition with respect to the same complaining party but is likely to evade review); *Lewis*, 494 U.S. at 479.

Petitioner is therefore incorrect in arguing (Br. 21) that the public interest in preventing potentially invalid trademarks from inhibiting competitive activity weighs against permitting trademark owners to use covenants

to moot invalidity actions. Before the Declaratory Judgment Act was enacted, a patent or trademark owner could attempt to paralyze its competitors by threatening to file infringement suits, while preventing an adjudication of the parties' rights by refusing to carry out the threat. *Cardinal Chem. Co.*, 508 U.S. at 95-96. The potential for trademark owners to create that "scarecrow" effect was largely ameliorated by the Declaratory Judgment Act's authorization of preemptive invalidity actions. See *ibid.* Because the "scarecrow" effect depends on a trademark holder's *legal right* to sue a competitor for infringement, a sufficiently broad covenant not to sue can extinguish that "scarecrow" effect upon the plaintiff in substantially the same way as a judicial declaration of invalidity. To be sure, the trademark may still have a "scarecrow" effect on *other* competitors who have not received a similar promise. But because Article III's controversy requirement is plaintiff-specific, neither that potential impact on third parties not before the court, nor the general public interest in identifying invalid trademarks, is sufficient to keep the controversy between the parties alive. See p. 19, *supra*.

Finally, petitioner argues (Br. 18-19, 23-24) that "[t]his case is highly similar" to *Cardinal Chemical*, 508 U.S. at 98, and *Altwater v. Freeman*, 319 U.S. 359 (1943), in which this Court held that a challenge to the validity of a patent is not necessarily mooted by a ruling that the accused device did not infringe. Those decisions are inapposite. The Court explained in *Altwater* that "the controversy between the parties did not come to an end on the dismissal of the bill for non-infringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit." *Id.* at 363-364 (citation omitted). In *Cardinal Chemical*, this Court quot-

ed that language in disapproving the Federal Circuit's categorical rule that judgments of patent validity should always be vacated if the court of appeals affirms the district court's finding of non-infringement. See 508 U.S. at 94, 96.<sup>3</sup>

The Court in *Altwater* and *Cardinal Chemical* thus recognized that, even when a particular accused device has been found not to infringe a patent, the patent's potential application to *other* products manufactured by the alleged infringer may give the parties a continuing concrete stake in the question whether the patent is valid. Those decisions indicate that a covenant not to sue may be insufficient to moot a declaratory judgment counterclaim if the covenant is limited to the particular product at issue in the original infringement action. They do not, however, support a categorical rule that a covenant not to sue can *never* eliminate a prior Article III controversy between a patent or trademark holder and an alleged infringer.

**2. *Whether a covenant not to sue moots an invalidity challenge should be analyzed under the "voluntary cessation" doctrine***

In arguing that petitioner's declaratory judgment counterclaim is moot, respondent relies on its own unilateral promise not to sue, not on any alteration in petitioner's business activities. The "voluntary cessation" doctrine therefore provides the appropriate framework for resolving the mootness question presented by this case.

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<sup>3</sup> The Court in *Cardinal Chemical* further explained that a court of appeals finding of non-infringement remained subject to review and potential reversal by this Court. 508 U.S. at 97.

Although respondent initiated this litigation by suing for infringement, it is the defendant with respect to the counterclaim that is the subject of the current mootness inquiry. And while the Declaratory Judgment Act authorizes preemptive validity challenges even when no infringement suit has been filed, respondent's commencement of suit provided especially clear evidence that it was prepared to enforce the '905 trademark against petitioner. Respondent's dismissal of its original infringement suit, combined with its promise not to commence similar actions in the future, thus represents the "voluntary cessation" of the conduct that had previously given rise to a live controversy as to the trademark's validity. And because the covenant not to sue was drafted by respondent unilaterally, respondent alone determined how broad petitioner's protections against future suits would be. It is therefore appropriate to require respondent to demonstrate that the covenant satisfies the demanding standard articulated in this Court's "voluntary cessation" precedents. Cf. *Friends of the Earth*, 528 U.S. at 190.

That conclusion is reinforced by the fact that covenants not to sue, when proffered as bases for dismissal of ongoing challenges to the promisor's patent or trademark, may implicate the concerns about jurisdictional manipulation that underpin the voluntary cessation doctrine. See p. 14, *supra*. A trademark owner may have many legitimate reasons to reconsider its initial decision to enforce its mark after the potential infringer brings an invalidity counterclaim. Here, for instance, respondent asserts that post-suit developments convinced it that petitioner's allegedly infringing "activities were no longer significant enough to warrant the cost of litigation." Br. in Opp. 4. In some cases, however, a

trademark owner might attempt, through use of an artfully drafted covenant, to moot a pending invalidity claim while preserving its ability to enforce its trademark against the plaintiff in the future. See *Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1353-1354 (Fed. Cir. 2007) (*Benitec*) (Dyk, J., dissenting) (discussing this concern), cert. denied, 553 U.S. 1014 (2008). Such efforts are closely analogous to the jurisdictional manipulations that “voluntary cessation” principles are intended to prevent, and they are appropriately addressed through application of the same legal standard, *i.e.*, by placing upon the trademark owner the burden of establishing that its covenant is sufficiently comprehensive to eliminate the controversy between the parties.

3. *In order to moot a validity challenge by providing a covenant not to sue, a trademark holder should be required to demonstrate that it is absolutely clear that a concrete dispute between the parties is not reasonably likely to recur*

A trademark holder who asserts that its covenant has rendered a declaratory judgment action moot should be required to demonstrate that it is “absolutely clear” that a concrete dispute between the parties over the allegedly invalid trademark “could not reasonably be expected to recur.” *Friends of the Earth*, 528 U.S. at 190. In other words, the trademark holder must establish the absence of any meaningful likelihood that the threat of enforcement will again have a concrete impact on the plaintiff’s conduct of its business.

This formulation is consistent with the established standard used to determine whether a defendant’s voluntary conduct moots a case, while reflecting the fact that the continuing existence of an Article III controversy—whether the trademark will continue to inhibit

the declaratory judgment plaintiff's activities—turns on the plaintiff's intentions as well as on the scope of the trademark holder's covenant. The Court has traditionally stated the voluntary cessation standard in terms of whether “the [defendant's] allegedly wrongful behavior” is likely to recur, because it is ordinarily the defendant's allegedly wrongful behavior alone that gives rise to the controversy between the parties.<sup>4</sup> *Adarand Constructors, Inc. v. Slater*, 528 U.S. 216, 221-222 (2000) (*Adarand*) (per curiam); *Friends of the Earth*, 528 U.S. at 190. In the trademark-infringement context, however, the continuing existence of an Article III controversy depends on *both* parties' future actions. It is therefore appropriate to frame the inquiry as whether it is “absolutely clear” that a live dispute between the parties “could not reasonably be expected to recur.” *Friends of the Earth*, 528 U.S. at 190; see *Benitec*, 495 F.3d at 1354 (Dyk, J., dissenting) (proposing that patent holder should be required to show that “there is no reasonable likelihood that the controversy over the patent's validity and enforceability will recur”).

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<sup>4</sup> Petitioner states (Br. 20) that the Court's precedents require a defendant to show that it is “‘absolutely clear’ [the plaintiff] would never again be adversely affected” by the defendant's conduct. That truncated formulation incorrectly suggests that the Court has required absolute certainty that the controversy will not arise again. See *Friends of the Earth*, 528 U.S. at 190. Petitioner also asserts that the “complete mootness test” includes the requirement that “interim relief or events have completely \* \* \* eradicated the effects of the alleged violation.” Br. 26 (quoting *County of L.A. v. Davis*, 440 U.S. 625, 631 (1979)). That formulation, which the Court has not invoked in more recent cases, see *Friends of the Earth*, 528 U.S. at 190, is simply another way to state the requirement that the defendant's cessation must eliminate any continuing concrete interest in the controversy.

Although the ultimate burden of making that showing rests with the trademark holder, the plaintiff should be required to identify any current activities, or concrete plans to undertake activities in the future, that it believes may not be covered by the covenant.<sup>5</sup> See *Benitec*, 495 F.3d at 1354 (Dyk, J., dissenting) (explaining that potential infringer had identified concrete plans to undertake activity that was not encompassed by the covenant not to sue). Information about these activities is uniquely within the plaintiff's possession, and placing the burden of production on the plaintiff reduces the need for potentially extensive discovery into the plaintiff's activities and plans.<sup>6</sup> In response to the plaintiff's assertions, the trademark holder should bear the burden

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<sup>5</sup> The party challenging the trademark need not, as the district court held, show that it has engaged in "[m]eaningful preparatory steps \* \* \* which suggest that \* \* \* [the plaintiff] would and could begin production immediately." Pet. App. 30a. Rather, it is sufficient if the plaintiff establishes that it plans to engage in conduct that it believes remains under the threat of enforcement. Indeed, the Court has not suggested that a declaratory judgment plaintiff must demonstrate even at the outset of an action that it could *immediately* engage in the conduct that it claims is deterred by the threat of enforcement. See, e.g., *Terrace v. Thompson*, 263 U.S. 197, 215-216 (1923).

<sup>6</sup> The plaintiff need not concede, as petitioner suggests (Br. 35), that the trademark owner would have a colorable infringement claim based on the plaintiff's identified activities. And disclosing planned activities should not leave the plaintiff at a disadvantage vis-à-vis the trademark holder. If the plaintiff's evidence convinces the court that the case is not moot, then the plaintiff will obtain an adjudication of its invalidity challenge and greater certainty about what conduct it may legally undertake in the future. Conversely, if the court concludes that the covenant moots the case, that determination will reflect the court's conclusion that the plaintiff's identified future activities fall within the covenant's protection.

of establishing that the covenant as written or modified encompasses the identified activities. In rare cases, a trademark owner might also demonstrate mootness by showing that, although particular hypothetical activities would fall outside the covenant, the plaintiff's prediction that it will engage in those activities is "wholly conjectural," *Golden*, 394 U.S. at 109, or otherwise unworthy of credence. If the court, after testing the covenant's language against the plaintiff's anticipated future activities, is satisfied that it is absolutely clear that a controversy between the parties may not reasonably be expected to recur, it should conclude that the case is moot. *Friends of the Earth*, 528 U.S. at 190-191.

**4. *Even if the covenant does not render the case moot, the district court has discretion to dismiss the suit***

Because declaratory relief is an equitable remedy, the court has discretion to decline to issue a declaration even if the case presents an Article III controversy. See, e.g., *Reno v. Catholic Soc. Servs., Inc.*, 509 U.S. 43, 57 (1993); see 28 U.S.C. 2201(a) (a court "*may* declare the rights and other legal relations of any interested parties") (emphasis added). "[T]he [plaintiff] must satisfy the court that relief is needed" by showing that "there exists some cognizable danger of recurrent violation, something more than the mere possibility which serves to keep the case alive." *W.T. Grant Co.*, 345 U.S. at 633. Even if the district court concludes that the trademark owner's covenant has not rendered the case moot, the court retains discretion to decide that the plaintiff's request for a declaration of invalidity should be dismissed on the ground that relief is not warranted.

Particularly relevant to that question is the declaratory judgment plaintiff's opportunity to challenge the validity of a registered mark before the PTO. Any per-

son “who believes that he is or will be damaged” by the registration of the mark may petition the TTAB “to cancel a registration of a mark.” See 15 U.S.C. 1064, 1067(a), 1068. A party whose activities have been deterred by concern that the trademark will be enforced against him may petition the TTAB to cancel the registration, see *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1029 (C.C.P.A. 1982), and the TTAB may cancel the mark based on any statutory ground of invalidity, including that the mark is functional or merely descriptive. 15 U.S.C. 1052; *Young v. AGB Corp.*, 152 F.3d 1377, 1379-1380 (Fed. Cir. 1998); *International Order of Job’s Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 1091 (Fed. Cir. 1984). The TTAB may evaluate the same types of evidence that a district court would consider in an invalidity challenge, and its administrative determinations may have preclusive effect between the parties in subsequent litigation. See *Levy v. Kosher Overseers Ass’n of Am., Inc.*, 104 F.3d 38, 42 (2d Cir. 1997). The losing party may obtain judicial review in the Federal Circuit or in district court. 15 U.S.C. 1071 (2006 & Supp. IV 2010).

Because the cancellation procedure permits the PTO to apply its expertise in the statutory registration requirements in the first instance and reflects Congress’s intent that the PTO be the principal forum for registration challenges, the court in a declaratory judgment suit should take into account the plaintiff’s ability to seek cancellation from the PTO in deciding whether to adjudicate the case. Cf. *Public Serv. Comm’n v. Wycoff Co.*, 344 U.S. 237, 246 (1952) (explaining that declaratory judgment procedure should “not be used to pre-empt and prejudice issues that are committed for initial decision to an administrative body”).

## II. THE COURT SHOULD REMAND THIS CASE FOR FURTHER PROCEEDINGS

In this case, the lower courts did not view the jurisdictional issue raised by respondent's covenant as one of voluntary cessation and mootness. Rather, both courts below proceeded as though they were determining at the outset of an action whether an Article III controversy existed. See Pet. App. 9a-17a, 29a-34a. As a result, the lower courts failed to require respondent to demonstrate that it is absolutely clear that a concrete dispute between the parties could not reasonably be expected to recur. Cf. *Adarand*, 528 U.S. at 221 (court of appeals treated mootness issue as though it concerned standing, and thereby "placed the burden of proof on the wrong party"). This Court should remand the case for further proceedings in which the parties can develop the record on both the scope of the covenant and petitioner's business activities, and the courts below can apply the proper standard to the record so compiled.

A. Respondent's ability to satisfy its demanding burden turns on whether the covenant is broad enough to encompass not only petitioner's current products, but also any intended future products. Neither the scope of the covenant nor petitioner's intentions are clear from the current record.

Although the covenant bars "any possible cause of action" involving "trademark infringement, unfair competition, or dilution," it does so only with respect to petitioner's "current and/or previous footwear product designs, and any colorable imitations thereof." Pet. App. 24a (emphasis added). It is not clear from the record how respondent defines the term "colorable imitations." See, e.g., Resp. C.A. Br. 27-28 (arguing, without defining "colorable imitation," that the covenant is "robust," and

that “there is not a single shoe made or sold by [petitioner] *when [respondent] executed the covenant* that can give rise to a lawsuit”) (emphasis added). As the drafter of the covenant and the party bearing the ultimate burden of demonstrating mootness, respondent must explain the meaning of the terms it has chosen. Alternatively, nothing would prevent respondent on remand from providing a new covenant that eliminated any ambiguity in the current document.

According to the court of appeals, respondent represented at oral argument that the covenant would permit respondent to sue petitioner if petitioner “were to manufacture an exact copy of the Air Force 1 shoe.” Pet. App. 15a n.5. Even if the only suit permitted by the covenant were one based on petitioner’s making an exact replica of the shoe, petitioner’s invalidity claim would not necessarily be moot. If respondent’s trademark were invalid and its shoe design were in the public domain, then respondent’s competitors would have the right to create exact copies of that design. Thus, if petitioner demonstrates that it has plans to create and sell exact copies of the Air Force 1, the covenant would not vitiate petitioner’s concrete interest in obtaining a declaration of invalidity because the covenant would not protect petitioner from the choice between forgoing conduct that it believes is legal and subjecting itself to potential infringement liability. See *MedImmune*, 549 U.S. at 129.

There is little evidence in the record, however, concerning petitioner’s intentions. Petitioner asserted in general terms that as of 2010, it was developing additional shoe lines, and that in the near future it intended to introduce some new lines into the market. J.A. 173a. Petitioner did not elaborate on those plans, or state

whether it was concerned that its anticipated future activities would not be covered by the covenant's language. A remand to the lower courts will provide an opportunity for the parties to develop a more complete record in light of the correct standard.

B. Petitioner argues on several grounds that its invalidity claim remains live regardless of the scope of the covenant and petitioner's planned activities. As currently presented, none of those grounds establishes the existence of a live controversy.

First, petitioner argues (Br. 25) that the controversy remains live because petitioner continues to dispute the validity of respondent's trademark. But if respondent's covenant prevents the trademark from having any continuing impact on petitioner's planned activities, the parties' abstract disagreement over a legal question cannot keep the case from being moot. See pp. 19-20, *supra*.

Second, petitioner asserts (Br. 33) that the continuing existence of the registered trademark will deter investors and retailers from doing business with petitioner. Petitioner relies on declarations from investors who state that, although they have reviewed the covenant, they would consider investing in petitioner's business only "if the '905 Registration was cancelled and it was clearly established that [respondent] has no right to object to [petitioner's] sale of shoes." J.A. 170a, 180a, 182a-183a. But if the language of the covenant is sufficiently broad as to eliminate any reasonable likelihood of future enforcement against the petitioner, third parties' unfounded concerns that respondent might nevertheless object to petitioner's activities cannot suffice to create

an Article III controversy.<sup>7</sup> Cf. *Bennett v. Spear*, 520 U.S. 154, 167 (1997) (“injury must be fairly traceable to the challenged action of the defendant, and not the result of the independent action of some third party not before the court”).

Third, petitioner argues (Br. 27) that it retains a cognizable interest in its invalidity claim because respondent relied in part on the fact that its trademark was registered in defending against petitioner’s claim for attorneys’ fees. But the invalidation of respondent’s trademark would not have established that respondent brought its infringement action “in bad faith” or that the action was an “exceptional” case warranting an award of attorneys’ fees. Pet. App. 38a; see 15 U.S.C. 1117(a). And in any event, the fact that a case becomes moot generally prevents a plaintiff from receiving attorney’s fees because mootness prevents the plaintiff from prevailing on the merits of its claims. See, e.g., *Buckhannon Bd. & Care Home, Inc. v. West Va. Dep’t of Health & Human Res.*, 532 U.S. 598, 606 (2001). That potential impact on a defendant’s fee liability “is, of course, insufficient to create an Article III case or controversy where none exists on the merits of the underlying claim.” *Lewis*, 494 U.S. at 480.

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<sup>7</sup> Petitioner has also alleged that retailers “feared” that respondent would take coercive measures—such as “los[ing] the retailer’s Nike order”—if they carried petitioner’s shoes. J.A. 177a. While allegations that respondent could be expected to enforce its trademark rights against petitioner’s retailers might give petitioner a cognizable interest in its invalidity claim, petitioner’s allegations of extra-legal conduct do not create an Article III controversy. Petitioner does not explain how invalidating respondent’s trademark would prevent respondent from engaging in the coercive measures that petitioner describes.

C. On remand, the district court may also consider whether petitioner's invalidity claim should be dismissed even if the action is not moot. See pp. 26-27, *supra*. In conducting that inquiry, the court may take into account petitioner's right to petition the PTO to cancel respondent's trademark registration on the grounds asserted in its invalidity counterclaim. See Pet. Br. 11; J.A. 57a-58a.<sup>8</sup>

### CONCLUSION

The judgment of the court of appeals should be vacated and the case remanded for further proceedings.

Respectfully submitted.

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AUGUST 2012

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<sup>8</sup> The fact that the PTO would be unable to adjudicate petitioner's claims that the trademark is invalid under state law does not establish that the district court should not dismiss the suit. The district court has supplemental jurisdiction over those state-law claims under 28 U.S.C. 1367. When a district court concludes that a plaintiff's federal claims should be dismissed, the court may dismiss as well any additional claims falling within the court's supplemental jurisdiction. See 28 U.S.C. 1367(c).

**AMICUS  
CURIAE  
BRIEF**

No. 11-982

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IN THE  
**Supreme Court of the United States**

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ALREADY, LLC d/b/a YUMS,

*Petitioner,*

*v.*

NIKE, INC.,

*Respondent.*

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ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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**BRIEF FOR THE AMERICAN INTELLECTUAL  
PROPERTY LAW ASSOCIATION AS *AMICUS  
CURIAE* IN SUPPORT OF RESPONDENT**

---

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**QUESTION PRESENTED**

Whether respondent's covenant not to sue petitioner was worded in a fashion that resolved the "actual controversy" in this declaratory judgment suit.

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## INTEREST OF AMICUS CURIAE

Amicus curiae American Intellectual Property Law Association ("AIPLA") is a national bar association of approximately 14,000 members engaged in private and corporate practice, in government service, and in the academic community.<sup>1</sup> AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. AIPLA has no stake in any of the parties to this litigation or in the result of this case other than its interest in seeking the correct and consistent interpretation of the law as it relates to intellectual property issues.<sup>2</sup>

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<sup>1</sup> Pursuant to Supreme Court Rule 37.6, AIPLA certifies that no counsel for a party authored this brief in whole or in part, and that no person or entity, other than AIPLA, its members, or its counsel, has made any monetary contribution to the preparation or submission of this brief. After reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

<sup>2</sup> In accordance with Supreme Court Rule 37.3(a), counsel for petitioner and counsel for respondent have consented to the filing of the brief of amicus in support of respondent. The consents are submitted herewith.

## SUMMARY OF ARGUMENT

At birth this case involved a definite and concrete controversy between the parties concerning Nike's trademark. Nike sought to hold Already liable for infringing its trademark and Already sought to fend off liability by, among other things, establishing that the trademark was invalid. But that controversy ended when Nike agreed not to enforce its trademark against any of Already's current and previous footwear designs and any colorable imitations thereof. At that moment, this case lost the indispensable Constitutional requirement of an actual adverse legal interest between the parties of sufficient concreteness and immediacy to support a declaratory judgment action.

Critically, Already has not identified any *specific* plans to commercialize new products that may conflict with the Nike trademark—much less plans of the required “sufficient immediacy” to define a real controversy. In this context, concrete and immediate commercial plans are the irreducible minimum to establish legal adversity under long-standing Constitutional principles.

This Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), made clear that a case or controversy may exist for declaratory judgment jurisdiction even though a reasonable apprehension of being sued is not shown. In applying the ruling, the Federal Circuit has concluded that declaratory judgment jurisdiction is now determined by looking to the “totality of the circumstances” for evidence of a substantial, immediate, and real controversy between parties with adverse legal interests. See *Sandisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380-81 (Fed.

Cir. 2007). In this respect, the ruling has been widely perceived to have substantially lowered the “case or controversy” bar in intellectual property cases.<sup>3</sup>

However, a case or controversy standard that would completely disregard a promise not to sue drops the standard much too low. *MedImmune* did not create an intellectual property exception to the basic requirement of an immediate legal controversy to establish standing. The mere desire of a member of the public to invalidate an intellectual property right or some vague, general plan to commercialize commercial plans does not create the true legal adversity indispensable to support a declaratory judgment action. The Declaratory Judgment Act simply does not authorize attacks on intellectual property in federal court absent an adequate reason to believe that such property constitutes a threat of *sufficient immediacy* to a concrete legal interest of the putative plaintiff.

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<sup>3</sup> See, e.g., International Trademark Association, *United States Annual Review* (2010), The Trademark Reporter, vol. 100, no. 1, p. 241 (*MedImmune* “greatly loosened the requirements for a finding of a cognizable case and controversy,” as a result of which, motions to dismiss declaratory judgment actions in trademark cases “have increasingly met with judicial disfavor”); Megan M. La Belle, *Patent Litigation, Personal Jurisdiction, and the Public Good*, 18 GEO. MASON L. REV. 43, 60-61 (2010) (perceiving a “clear consensus that the *MedImmune* standard for establishing a case or controversy is much more lenient and favorable to alleged patent infringers” and noting that “many predicted that this relaxation of the standard would lead to a significant rise in the number of declaratory relief actions filed”); see also Robert C. Kahrl & James W. Walworth, *Post-MedImmune: What Gives Rise to a Justiciable Controversy* (Sept. 1, 2007), available at [http://www.aipla.org/learningcenter/library/papers/am/AM07Materials/Documents/ED\\_2007\\_AM\\_Kahrl\\_PPR.pdf](http://www.aipla.org/learningcenter/library/papers/am/AM07Materials/Documents/ED_2007_AM_Kahrl_PPR.pdf).

*MedImmune* only reaffirmed the proposition that jurisdiction over a declaratory judgment action concerning intellectual property rights unyieldingly depends upon the existence of a real and substantial controversy. There was an actual controversy in *MedImmune* because the claims asserted by the declaratory judgment plaintiff, if successful, would mean it did not owe royalties to the defendant under their patent licensing agreement. The heart of the decision was that steps taken by a licensee to avoid the harm threatened by its licensor did not obviate that controversy for purposes of declaratory judgment jurisdiction. In effect, the *MedImmune* declaratory judgment plaintiff put up a shield, whereas in this case the declaratory judgment defendant surrendered its sword.

While normally the party contending there is a live case or controversy would bear the burden of proving jurisdiction, it is argued that the "voluntary cessation" doctrine shifts the burden to the plaintiff in this context to show there is *no* jurisdiction. That doctrine, however, applies to defendants who voluntarily cease violating the law because there is a risk they may resume their illegal activity if the case were deemed moot. Expanding that doctrine to cover plaintiffs who broadly covenant not to sue defendants is unwarranted since there is no risk of immediate resumption of illegal activity. Even more fundamentally, in the "voluntary cessation" cases the law-breaker knows whether it will resume its activity and it has the proof to show whether a true controversy still exists. Here, the party receiving the covenant controls the proof as to whether it has specific commercial plans defining a concrete and immediate controversy. It would be exactly backwards

to require the rights owner to prove that the party receiving the covenant has no such future plans.

In this case there is no continuing dispute regarding infringement, regardless of who bears the burden, and thus no ongoing controversy that an adjudication of validity could resolve. The effect of the covenant not to sue removes any concrete and sufficiently immediate adverse legal interest in this case, separate from what might be raised by members of the public generally, as to whether Nike's trademark is valid. Already may continue to sell its footwear without paying royalties to Nike and without risk of an infringement claim. Moreover, it has not at all identified concrete commercial plans of sufficient immediacy (or even without sufficient immediacy) that may conflict with Nike's trademark.

A contrary result, allowing litigation to proceed without real adversity, would invite collusive actions and strike suits. For example, opportunistic litigants could challenge valuable intellectual property in federal court to pressure for quick settlements that would be below the pricey cost of defense. The party challenging the intellectual property might even be willing to agree to an outcome that would further validate that intellectual property for a price.

Congress has already provided a suitable avenue for the public to challenge the validity of trademarks and patents before the U.S. Patent and Trademark Office. These administrative proceedings have safeguards so that they are not dependent on the kind of adversity of legal interest required for federal court actions and are

the proper avenue for simple challenges to the validity of vested intellectual property rights.<sup>4</sup>

## ARGUMENT

### I. THE CASE AND CONTROVERSY OVER INFRINGEMENT WAS RESOLVED WHEN NIKE DELIVERED AN UNCONDITIONAL COVENANT THAT EXTINGUISHED ALREADY'S COUNTERCLAIM.

#### A. The Validity of the Trademark Is Not Justiciable Because There No Adversity of Legal Interests Between the Parties.

Already's counterclaim challenging Nike's trademark ceased to be justiciable when Nike delivered a covenant not to sue. That covenant ensured that Already faced no present or even foreseeable (much less, imminent) infringement suit. As a result, there is no definite and concrete dispute between the parties that is of sufficient immediacy to establish federal jurisdiction over a declaratory judgment action concerning the trademark's validity.

While *MedImmune* may have lowered the bar for initiating declaratory judgment actions (at least in the eyes of the intellectual property community) by not requiring an apprehension of an imminent suit, it did not create a broad intellectual property exception to the basic "case or controversy" requirement of the Constitution. See, e.g., *Prasco, LLC v. Medicis Pharm.*

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<sup>4</sup> See 15 U.S.C. § 1064 (permitting trademark cancellation actions by "any person who believes that he is or will be damaged"); 35 U.S.C. §§311, 321 (establishing procedures for challenging a patent by "a person who is not the owner of a patent").

*Corp.*, 537 F.3d 1329, 1339 (Fed. Cir. 2008) (“Although *MedImmune* clarified that an injury-in-fact sufficient to create an actual controversy can exist even when there is no apprehension of suit, it did not change the bedrock rule that a case or controversy must be based on a *real* and *immediate* injury or threat of future injury that is *caused by the defendants*—an objective standard that cannot be met by a purely subjective or speculative fear of future harm.”) (emphasis in original); *Surefoot LC v. Sure Foot Corp.*, 531 F.3d 1236, 1242 (10th Cir. 2008) (reasonable apprehension of a suit no longer required after *MedImmune* but there must still be a controversy between the parties, not just a request for an advisory opinion); *Geospan Corp. v. Pictometry Int’l Corp.*, 598 F. Supp. 2d 968, 970 (D. Minn. 2008) (“although *MedImmune* lowers the bar for declaratory judgment jurisdiction, a substantial controversy is still required”).

Indeed, appellate courts applying *MedImmune* to declaratory judgment actions involving intellectual property have cited it as *reaffirming* the basic elements of the case or controversy requirement, including concreteness and immediacy. A product must therefore be demonstrably planned and defined before a concrete and immediate dispute can be said to exist. See, e.g., *Vantage Trailers, Inc. v. Beall Corp.*, 567 F.3d 745, 749 (5th Cir. 2009) (the design of the potentially infringing product must be fixed in material way with respect to the potentially infringing characteristics); *Int’l Harvester Co. v. Deere & Co.*, 623 F.2d 1207, 1216 (7th Cir. 1980) (“For a decision in a case such as this to be anything other than an advisory opinion, the plaintiff must establish that the product presented to the court is the same product which will be produced if a declaration of noninfringement is obtained.”). The plan

for commercialization must be sufficiently immediate, not put off to an undefined or distant future. See, e.g., *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1346-47 (Fed. Cir. 2007) (plans to file a new drug application “in a few years” were not sufficiently immediate). The Federal Circuit very recently relied on this principle of immediacy to find no declaratory judgment jurisdiction in *Matthews International Corp. v. Biosafe Engineering, LLC*, 2012-1044, 2012 U.S. App. LEXIS 20137, at \*14 (Fed. Cir. Sept. 25, 2012) (“[W]hen it is unclear when any even arguably infringing activity will occur, a dispute will lack the immediacy necessary to support the exercise of declaratory judgment jurisdiction.”).

There is no actual controversy here because the purported harm is neither concrete nor immediate. Already has identified no specific plans to design a new shoe that would subject it to an infringement claim by Nike, much less do so in the near future. The district court properly found the claims from investors about what they might do in the future were insufficient. Thus, unlike the patent validity issue in *MedImmune*, adjudication of the trademark’s validity in this case would not determine the respective rights of parties with adverse legal interests. It would have no effect on Already’s legal obligations to Nike or on any of its specifically identified activity on the horizon, such as an ability to market its current products or products of a specific design. See *Flast v. Cohen*, 392 U.S. 83, 96 (1968) (noting the “oldest and most consistent thread in the federal law of justiciability . . . that federal courts will not give advisory opinions”); *Hall v. Beals*, 396 U.S. 45, 48 (1969) (“[t]he case has therefore lost its character as a present, live controversy of the kind that must exist

if we are to avoid advisory opinions"). In *MedImmune*, the declaratory judgment plaintiff was a patent licensee that developed doubts about the validity of the licensor's patent. The licensee opted for a declaratory judgment suit to challenge the patent, but did so while continuing to make the required payments under the license. This Court concluded that the licensee did not eliminate the adversity between the parties by raising the shield of continued compliance under the licensing agreement. In this case, however, any potential harm anticipated by Already as the declaratory judgment plaintiff was clearly removed when Nike as the declaratory judgment defendant surrendered its sword with a covenant not to sue.

The action is therefore moot, because "[t]o qualify as a case fit for federal-court adjudication, an actual controversy must be extant at all stages of review, not merely at the time the complaint is filed." *Arizonaans for Official English v. Arizona*, 520 U.S. 43, 67 (1997) (citation and quotation marks omitted); see also *Honig v. Doe*, 484 U.S. 305, 317 (1988) ("That the dispute between the parties was very much alive when suit was filed . . . cannot substitute for the actual case or controversy that an exercise of this Court's jurisdiction requires.").

This does not mean a court is deprived of jurisdiction over an invalidity counterclaim merely because no infringement is found. To the contrary, as this Court explained in *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83, 96 (1993), such a finding does not end the controversy because the noninfringement finding remains subject to review in the courts of appeals and in this Court. The appellate

courts continue to have jurisdiction over the invalidity counterclaim, which may become dispositive if the noninfringement finding is reversed. See *id.* at 97. Moreover, for so long as a plaintiff continues to assert infringement, the questions of noninfringement and invalidity remain “two possible alternative grounds” for decision, both of which lie within the courts’ proper jurisdiction. *Id.* at 98.

But, as noted in *Cardinal Chemical*, a very different situation would be presented “[i]f, before the court had decided the case, either party had advised it of a *material change in circumstances that entirely terminated the party’s controversy.*” *Id.* (emphasis added). Unlike a mere finding of noninfringement, such material change—like a complete resolution of a controversy through an unqualified covenant—would require dismissal of the action. *Id.*

In both *MedImmune* and *Cardinal Chemical*, jurisdiction was present because the parties continued to have adverse legal interests that would be resolved by an adjudication of validity. This case is simply the other side of the same coin. Where, as here, the parties have no actual adverse legal interests, the federal courts have no jurisdiction to hear Already’s counterclaim that the trademark is invalid.

Nor is there an independent basis for jurisdiction in 15 U.S.C. § 1119 that would authorize courts to address validity “in any action” involving a registered mark. This provision does not apply since, without a case or controversy, there is no “action” involving a registered mark. Rather, it is designed to promote efficiency by permitting “all questions in respect to a registered trademark [to] be determined in one proceeding, thus

preventing vexatious and harassing litigation.” *Simmonds Aeroaccessories, Ltd. v. Elastic Stop Nut Corp. of Am.*, 257 F.2d 485, 491 (3d Cir. 1958). The statute was never intended to create a free-standing cancellation action in federal court by parties who once had—but no longer have—an actual legal interest in the validity of the trademark, nor could it do so consistent with the Constitution. See *Bond v. United States*, 131 S. Ct. 2355, 2361-62 (2011) (one who maintains a federal action must show not only that it has standing to obtain relief, but must also point to an ongoing Article III controversy).<sup>5</sup>

Instead, Congress has provided a separate, administrative proceeding for cancelling trademarks before the U.S. Patent and Trademark Office, which is not subject to the restrictions of Article III. See 15 U.S.C. § 1064 (authorizing cancellation petition “by any person who believes that he is or will be damaged . . . by the registration of a mark”). Similarly, in the patent context, Congress has recently expanded the post-grant administrative review process. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6, 125 Stat. 284 (2011). Now, cancellation of a patent may be based on any statutory ground of invalidity, see 35 U.S.C. § 321(b), and can be established under a “more likely than not” standard, see 35 U.S.C. § 324(a).

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<sup>5</sup> In any event, the Court need not reach this argument because it was not included in Already’s merits brief. See, e.g., *Wolston v. Reader’s Digest Ass’n, Inc.*, 443 U.S. 157, 166 n.7 (1979) (finding petitioner to have abandoned an argument that the Court of Appeals rejected and petitioner did not raise before this Court).

These administrative proceedings are the appropriate vehicles for hearing nonjusticiable invalidity challenges. The U.S. Patent and Trademark Office, as a specialized agency, offers expertise, experience and procedures that dispense with the need for classic, legal adversity. And the administrative process relieves clogged federal dockets of unnecessary litigation, allowing courts to focus on cases with live controversies that require immediate resolution.

**B. The Case-or-Controversy Requirement is Not Satisfied.**

This Court's decisions in *MedImmune* and *Cardinal Chemical* cannot be read to find a live case or controversy here.

*MedImmune* reaffirms the case or controversy requirement in declaratory judgment actions involving intellectual property. Already explains that it asserted a "compulsory counterclaim" and argues that jurisdiction over this issue was "not at all dependent on the fate of respondent's complaint." Pet. Br. 37, 38 (citing *Cardinal Chemical*, 508 U.S. at 96, 99-103). But whether a counterclaim is compulsory or not has no effect upon Article III requirements. There must at least be some live controversy over infringement or some other matter creating adverse legal interests in the trademark's validity of a sufficiently immediate nature. See *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941) ("Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having *adverse legal interests, of sufficient immediacy and reality* to warrant the issuance of a declaratory judgment.") (emphasis

added); accord *MedImmune*, 549 U.S. at 127. Here, there is none.

The Court's decision in *Cardinal Chemical* likewise fails to support a case or controversy finding here. A live infringement claim persisted in that case, and the mere presence of an intellectual property right that a competitor deems objectionable is insufficient to maintain a lawsuit. Already invokes *Cardinal Chemical* to argue that intellectual property acting as "scarecrow" can by itself give rise to justiciable claims. See Pet. Br. 29-30 (quoting *Cardinal Chemical*, 508 U.S. at 96). The "scarecrow" alluded to in that case, however, was the fear of a possible future infringement action—fear that Already can no longer claim. As this Court observed, when parties face potential claims, a declaratory judgment action frees them from making the "*in terrorem* choice between the incurrence of a growing potential liability for . . . infringement and abandonment of their enterprises." *Cardinal Chemical*, 508 U.S. at 96. But such unattractive alternatives are not presented here. The only "scarecrow" in this case is one that existed in the past, before it was taken down by Nike's covenant. Indeed, as far as Already is concerned, absent the identification of new products that it would like to commercialize on a reasonably immediate basis, Nike's trademark is no more a scarecrow than any other intellectual property that exists. And Already has no more established legal interest in maintaining a suit against Nike's trademark than any other member of the public. If anything, Already has *less* interest than other members of the public, because unlike Already, they possess no guarantee that they will not be sued for

infringing the trademark based on their existing commercial plans.<sup>6</sup>

Allowing Already's counterclaim to go forward in these circumstances would violate this Court's instruction that jurisdiction cannot be established by "generalized grievances" for an injury that is "undifferentiated and common to all members of the public." *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 575 (1992). Indeed, although Already notes that Nike has not canceled its trademark registration and "stands ready" to enforce its rights, Pet. Br. 27, Already cannot identify any interest that *it* has in such enforcement based on currently existing commercial plans that are sufficiently immediate. Instead, it can point only to enforcement actions against others and its generalized desire to sell new products. See Pet. Br. 35 (noting cease and desist letters, settlement agreements, consent judgment and default judgment based upon Nike's trademark).

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<sup>6</sup> *Altwater v. Freeman*, 319 U.S. 359, 363 (1943) is also inapposite. See Pet. Br. 23-24. *Altwater* allowed a challenge to validity to proceed despite dismissal of an infringement claim because the parties' "dispute went beyond th[at] single claim and the particular accused devices involved in that [infringement] suit." *Altwater*, 319 U.S. at 363-64. Here, in contrast, there is no live dispute beyond what was involved in Nike's infringement claim. Already asserts that its claim "goes beyond" infringement because "it challenges the [trademark's] validity." Pet. Br. 24. But that could be said of a validity challenge brought by any member of the public. What existed in *Altwater*—but does not exist here—was a live dispute between those parties that was not resolved by dismissal of the more narrow infringement claim, creating an actual controversy over validity.

Nor can jurisdiction be established by Already's conjecture that "*new shoes*" (i.e., ones that are "not colorable imitations of old designs") could be the subject of an infringement action by Nike. Pet. Br. 24. Jurisdiction over a declaratory judgment action cannot be "based upon a hypothetical state of facts." *MedImmune*, 549 U.S. at 127 (quotation omitted).

And it is not Nike's "heavy burden" to show that a case or controversy exists. Pet. Br. 22-30. This putative burden, drawn principally from cases concerning voluntary cessation of unlawful activity, is supposedly warranted "because otherwise 'the courts would be compelled to leave the defendant free to return to his old ways.'" Pet. Br. 25 (quoting *Friends of the Earth, Inc. v. Laidlaw Env'tl. Servs. Inc.*, 538 U.S. 167, 189 (2000)) (alterations omitted). But this explanation merely illustrates why such a burden would serve no purpose here. Contrary to Already's suggestion, Nike can no longer sue Already for infringing its trademark based on any existing or actually planned commercial activity and thus is not "free" to resume the activity that first created jurisdiction over Already's counterclaim.

This Court and lower courts have criticized the expansion of the voluntary cessation doctrine to cases where the actionable conduct cannot be voluntarily resumed. See *Deakins v. Monaghan*, 484 U.S. 193, 200 n.4 (1988) (re-initiation of litigation after a suit is dismissed with prejudice is not conduct that falls under the voluntary cessation doctrine); *Iron Arrow Honor Soc'y v. Heckler*, 464 U.S. 67, 71-72 (1983) (questioning the doctrine's applicability to a case involving a voluntary act of a third-party); *Ctr. for Biological Diversity v. Lohn*, 511 F.3d 960, 965 (9th Cir. 2007)

(declining to apply the exception where cessation was indirectly caused by a court order); *Mo. Prot. & Advocacy Servs., Inc. v. Carnahan*, 499 F.3d 803, 811-12 (8th Cir. 2007) (same where cessation was not voluntary); *Rendell v. Rumsfeld*, 484 F.3d 236, 243 (3d Cir. 2007) (same where a suit was based on a recommendation that was later rejected); *F.E.R. v. Valdez*, 58 F.3d 1530, 1534 (10th Cir. 1995) (same where a dispute “has been completely eradicated”).

The Court should continue to confine the voluntary cessation doctrine to cases where defendants are free to resume actionable conduct, and should not expand the doctrine beyond its well settled boundaries. In *Cardinal Chemical*, the Court reaffirmed that the “party seeking declaratory judgment has the burden of establishing the existence of an actual case or controversy.” 508 U.S. at 95. Once jurisdiction has been established, a declaratory judgment defendant only bears the burden of coming forward with new information that would moot the case. *Id.* at 98 (“If a party to an appeal suggests that the controversy has, since the rendering of judgment below, become moot, that party bears the *burden of coming forward with the subsequent events* that had produced the alleged result.”) (emphasis added); see also *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d at 1344-45 (interpreting *Cardinal Chemical* and distinguishing between burden of production and burden of proof); *Diamonds.net LLC v. IDEX Online, Ltd.*, 590 F. Supp. 2d 593, 601 (S.D.N.Y. 2008) (same). That burden was satisfied here when Nike submitted to the district court the covenant that it had delivered to Already, thereby notifying that court of the “material change in circumstances that entirely

terminated the party's controversy." *Cardinal Chemical*, 508 U.S. at 98.

Placing the burden on the rights owner to show that the party that received the covenant has no future concrete and immediate plans would make no sense since such evidence resides with the party asserting that there is a controversy. See generally *United States v. Fior D'Italia, Inc.*, 536 U.S. 238, 257 n.4 (2002) (noting the "general rule that burdens shift to those with peculiar knowledge of the relevant facts"). In allocating the burden of persuasion, this Court should, as it has done before, look to the party that is likely to be in a better position to satisfy it. See *Shinseki v. Sanders*, 556 U.S. 396, 410 (2009). In true "voluntary cessation" cases, the question is whether an infringing party can clearly show not only that it has ceased but also that it will not resume its unlawful conduct, and the answer is often exclusively in the alleged infringer's possession.<sup>7</sup> Here it is the alleged infringer, Already, not Nike, that knows whether it has plans to produce potentially infringing products, and it has not shown that concrete and sufficiently immediate plans exist. If the rights owner is forced to make a negative-showing about the

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<sup>7</sup> The government's amicus brief distorts the "voluntary cessation" doctrine by arguing that the trademark owner bears the burden of demonstrating that it is "absolutely clear" the covenant not to sue is broad enough eliminate the dispute. Br. of United States 21-26. This approach improperly focuses not on the cessation of unlawful conduct but on the cessation of attempts to enforce lawful rights. As explained above, the trademark owner in this situation simply bears the burden of production to show new facts. It is then up to the declaratory judgment plaintiff to overcome those new facts as part of its burden of persuasion that declaratory judgment jurisdiction continues to exist.

covenant-receiving party's future plans, courts will risk issuing advisory opinions on claims for declaratory judgment—precisely what this Court has been careful to guard against. See *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 239-41 (1937).

Even if the burden imposed by the voluntary cessation doctrine were applicable, that doctrine is easily met in this circumstance. A case involving voluntary cessation of unlawful activity becomes moot if it is “absolutely clear that the allegedly wrongful behavior could not reasonably be expected to recur.” *Parents Involved in Community Schools v. Seattle School Dist. No. 1*, 551 U.S. 701, 719 (2007). That is the situation here. The covenant not to sue makes it absolutely clear that Nike's supposedly improper enforcement of its trademark against Already will not recur.

## II. PERMITTING LITIGANTS TO TEST VALIDITY OF INTELLECTUAL PROPERTY IN DISTRICT COURTS ABSENT LIVE CLAIMS FOR INFRINGEMENT WOULD OPEN THE DOOR TO COLLUSIVE ACTIONS, STRIKE SUITS, AND EXTORTIVE SETTLEMENTS.

Allowing an attack on intellectual property rights to continue without an adverse legal interest of any immediacy would create all the problems one would expect to accompany such indiscriminate access to federal court. This permissiveness would encourage collusive actions between parties without adverse legal interests, invite strike suits, and require courts to proceed with unnecessary and wasteful litigation better handled by administrative procedures crafted by Congress.

Permitting a claim to go forward on the grounds urged by Already would open the door to collusive actions because litigation that "upholds" the validity of intellectual property can increase the value of such property. Parties who have resolved the gist of their dispute might collusively use litigation to inflate the intellectual property. This is especially true where the party "attacking" the intellectual property ultimately shares a license to it and thus would benefit from the perception that it is battle-hardened and has already overcome a litigation challenge.

Lowering the bar to declaratory judgment actions even further would also invite "strike suits." See Avery Katz, *The Effect of Frivolous Lawsuits on the Settlement of Litigation*, 10 INT'L REV. L. & ECON. 3, 4 (1990) (explaining that strike suits are frivolous actions initiated by plaintiff knowing that the "defendant is willing to pay settlement up to the amount of his defense costs"). These spurious actions are well known in securities litigation. See, e.g., Dionne Searcey & Ashby Jones, *First, the Merger; Then the Lawsuit*, WALL ST. J., Jan. 10, 2011, at C1 ("[Strike suits] have mushroomed, legal experts say, partly because the practice has proven lucrative for plaintiffs' attorneys who know that companies are eager to be rid of litigation and have been settling quickly.") In the intellectual property context, opportunistic litigants could sue to challenge the validity of valuable intellectual property and then offer to settle for less than the cost of defense and agree to some kind of validation of the intellectual property. The owner would face the choice between litigating the validity of its intellectual property (even though it is not being

asserted) or resolving that matter for less than it would cost to defend its property.

In short, further loosening of the Article III case or controversy requirement would burden the system with unnecessary litigation that should be resolved appropriately through the administrative processes established by Congress for precisely this purpose. See 15 U.S.C. § 1064. The availability of administrative remedies concerning trademark (and patent) validity underscores the importance of limiting federal court actions addressing the same subject to those truly presenting an actual case or controversy.

#### CONCLUSION

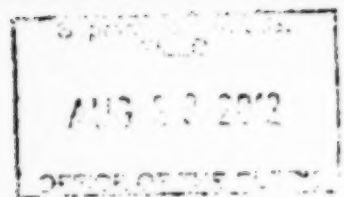
For the foregoing reasons, AIPLA urges the Court to affirm the judgment of the court of appeals.

Respectfully submitted,

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**AMICUS  
CURIAE  
BRIEF**



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In the  
**Supreme Court of the United States**

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ALREADY, LLC D/B/A YUMS,

*Petitioner,*

v.

NIKE, INC.,

*Respondent.*

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On Writ of Certiorari to the United States Court of  
Appeals for the Second Circuit

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**BRIEF OF AMICI CURIAE INTELLECTUAL  
PROPERTY OWNERS ASSOCIATION IN SUPPORT OF  
NEITHER PARTY**

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## INTEREST OF THE AMICI CURIAE

Amicus curiae Intellectual Property Owners Association (IPO) is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights.<sup>1</sup> IPO's membership includes more than 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as inventors, authors, executives, law firms, or attorney members. Founded in 1972, IPO represents the interests of all owners of intellectual property. IPO regularly represents the interests of its members before government entities and has filed amicus curiae briefs in this Court and other courts on significant issues of intellectual property law. The IPO Board of Directors approved the filing of this brief. A list of IPO board members can be found in the Appendix.<sup>2</sup>

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<sup>1</sup> No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the amicus curiae, or its counsel made a monetary contribution to its preparation or submission. Both parties in this case consented to the filing of amicus briefs in support of neither party by emails submitted to IPO on August 10, 2012.

<sup>2</sup> IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

## INTRODUCTION

Although this case presents the issue of whether a trademark owner's covenant not to sue resolved the case or controversy that conferred the district court with subject matter jurisdiction over the trademark infringement action, it raises questions important to the owners of all forms of intellectual property. IPO, as an organization that seeks to promote proper administration of the laws for all types of intellectual property rights, submits this brief to suggest a standard that balances the right of intellectual property owners to choose when and where to enforce their rights against a putative infringer's right to resolution of the case or controversy that conferred the district court with subject matter jurisdiction over the infringement action in the first place. In sum, when an intellectual property owner grants a covenant not to sue that resolves all then-existing infringement allegations, and there is nothing in the record to suggest a real and concrete infringement dispute still exists, there is no longer an actual case or controversy.

In this case IPO takes no position on the proper interpretation of the specific language of the covenant not to sue. Hence, IPO supports neither party. But if the record supports a finding that the covenant not to sue resolved all issues of infringement of the trademark-in-suit by (1) the petitioner's past, current and future sales of the allegedly infringing shoes, including shoes not more than colorably different from the allegedly infringing shoes, and (2) future sales of any shoes for which a real and concrete dispute currently exists, such as shoes for which real and substantial

commercialization activity has already occurred, then the covenant not to sue for infringement ended the case or controversy and thus the district court's subject matter jurisdiction over the invalidity counterclaim.

A judicial challenge to the validity of an intellectual property right following the issuance of such a comprehensive covenant not to sue -- perhaps citing the policy justification that such challenges further a public interest in testing the validity of intellectual property rights -- is not a real "case or controversy" if the challenger no longer faces any actual and existing risk of infringement. There are other venues where an Article III "case or controversy" is not required and a party still may have standing to challenge the validity of the intellectual property right, such as administrative challenges against patents and registered trademarks in the United States Patent and Trademark Office, but a federal court lacks subject matter jurisdiction once the infringement dispute has ended through issuance of the covenant not to sue for infringement.

Public policy considerations support this conclusion at least as strongly as any public interest that may exist in allowing judicial challenges to intellectual property rights. Allowing challenges when there is no live infringement dispute undermines the interests of finality and judicial economy, creates the potential for needless litigation, and even risks collusive litigation to reaffirm or bolster intellectual property rights where the challenger has no real motive to invalidate the right.

In sum, IPO here advocates a middle ground approach, one that neither allows an intellectual property owner to eliminate jurisdiction by issuing a narrowly-tailored covenant not to sue that ends only the specific claims pled, while leaving other existing disputes to linger, nor one that requires the intellectual property owner to forego all future enforcement of its rights against any future infringing activities of the defendant, no matter how unrelated to the current dispute. Between these extremes is an approach that is faithful to Constitutional limits on subject matter jurisdiction of the federal courts and the Court's longstanding declaratory judgment jurisprudence: a covenant not to sue for infringement divests a court of jurisdiction if it resolves the issues of infringement raised by the alleged infringer's past and current activities, as well as future continuation of those activities, along with any other real and concrete disputes that may then exist regarding infringement of the intellectual property at issue by the defendant. This is the line that IPO urges the Court to draw in this case.

## SUMMARY OF THE ARGUMENT

The Court's *MedImmune v. Genentech* opinion sets forth the framework for determining whether an Article III "case or controversy," and hence an "actual controversy" under the Declaratory Judgment Act, 28 U.S.C. §§ 2201-02, exists to confer subject matter jurisdiction over intellectual property disputes in the federal courts. While the standard is flexible and depends on the facts of each case, it does require the controversy to be "definite and concrete"

and "real and substantial." Such requirements cease to exist when an intellectual property owner provides an accused infringer with an appropriately comprehensive covenant not to sue – *i.e.*, a promise not to sue for infringement of the intellectual property rights at issue in the case that resolves the issues of infringement raised by the alleged infringer's past and current activities, as well as future continuation of those activities, along with any other real and concrete disputes that may then exist regarding infringement of the intellectual property at issue by the defendant.

In many if not most cases, a covenant covering the putative infringer's past and current activities, as well as future continuation of those activities with only insubstantial alterations, will suffice. However, in some actions an actual controversy with respect to infringement of the intellectual property at issue also may extend to then-existing activities of the alleged infringer that have progressed to the point where real and substantial preparations have been made for commercialization, such that the dispute as to those activities also meets the *MedImmune* requirements of a real, definite and concrete controversy. In such cases, the court retains subject matter jurisdiction unless the covenant not to sue includes any such disputes that would be capable of meeting the *MedImmune* jurisdictional threshold if they had been brought as stand-alone declaratory judgment actions.

The approach IPO advocates promotes the resolution of needless litigation (for the parties and the courts) while fully protecting the party charged with infringement from liability arising from any of

its actions that have raised an actual dispute. It balances, on the one hand, an accused infringer's interests in resolving the dispute and any public interest in clarifying the scope of intellectual property rights, against, on the other hand, the intellectual property owner's interests in ending the costs and burdens of litigation and the public interest in finality and judicial economy once existing disputes have been resolved. The accused infringer wishing to continue its challenge to the formerly-asserted intellectual property still may do so through a number of administrative challenges available in the United States Patent and Trademark Office. But once a covenant not to sue eliminates an Article III "case or controversy" as to infringement, the jurisdiction of a federal court to preside over the validity challenge ends.

## ARGUMENT

In framing the issue presented by this case, it is important to keep in mind what this case is not about. To be sure, a parallel situation arises in the Court's jurisprudence regarding subject matter jurisdiction over declaratory judgment counterclaims against intellectual property owners when a claim of infringement has been resolved, but not by way of a covenant not to sue. Although the same Article III "case or controversy" requirement determines whether subject matter jurisdiction exists in each setting, an appropriate covenant not to sue can eliminate any actual controversy in a way that a judicial determination of noninfringement does not.

Thus, the question here is distinguishable from the question of whether subject matter jurisdiction continues to exist over an invalidity counterclaim once a defendant has prevailed with a judgment of noninfringement. In that circumstance, the infringement dispute is not dead, because the noninfringement judgment might be reversed on appeal or upon a *writ of certiorari* to the Court. Thus, an actual controversy remains and jurisdiction continues over the invalidity counterclaim. See *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83 (1993) (holding that Federal Circuit's affirmance of noninfringement judgment did not constitute *per se* sufficient reason for vacating declaratory judgment holding patent invalid).

For similar reasons, this case is distinguishable from the situation that supported jurisdiction over the declaratory judgment counterclaim for invalidity in *Itvater v. Freeman*, 319 U.S. 359 (1943). In *Itvater*, the patent owner had not provided its licensee with a covenant not to sue that resolved all existing issues of infringement. To the contrary, the judgment of noninfringement only resolved part of the ongoing infringement dispute, and thus the court retained jurisdiction over the invalidity counterclaim. See *id.* at 363-64 ("But we are of the view that the issues raised by the present counterclaim were justiciable, and that the controversy between the parties did not come to an end on the dismissal of the bill for noninfringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit.") (citation omitted).

Likewise, the question presented here is distinguishable from the situation that supported declaratory judgment jurisdiction in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007). In *MedImmune*, an actual controversy existed between the licensor and licensee as to whether the licensed patent was valid and covered the licensee's product. Far from promising not to sue for infringement, the patent owner threatened exactly that if royalties were not paid. *Id.* at 211 ("Petitioner did not think royalties were owing, believing that the Cabilly II patent was invalid and unenforceable, and that its claims were in any event not infringed by Synagis. Nevertheless, petitioner considered the letter to be a clear threat to enforce the Cabilly II patent, terminate the 1997 license agreement, and sue for patent infringement if petitioner did not make royalty payments as demanded.") (footnote omitted).

**I. A Covenant Not To Sue Divests A Federal Court Of Subject Matter Jurisdiction Over An Invalidity Counterclaim When It Resolves All Infringement Issues Raised By The Alleged Infringer's Past And Current Activities, As Well As Future Continuation Of Those Activities, Along With Any Other Real And Concrete Disputes That May Exist Regarding Whether The Alleged Infringer's Activities Infringe The Intellectual Property At Issue.**

Although the facts of *MedImmune* are distinguishable, the Court's opinion sets forth the framework for determining whether an Article III "case or controversy," and hence an "actual

controversy” under the Declaratory Judgment Act, exists to confer subject matter jurisdiction in the federal courts:

Our decisions have required that the dispute be “definite and concrete, touching the legal relations of parties having adverse legal interests”; and that it be “real and substantial” and “admi[t] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.” ... Basically, the question in each case is whether the facts alleged, under all circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”

*MedImmune*, 549 U.S. at 126 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U. S. 227, 240 (1937) and *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U. S. 270, 273 (1941)).

The same standard applies in determining whether subject matter jurisdiction continues over a counterclaim seeking a declaratory judgment of invalidity once the owner of the intellectual property right at issue has provided the putative infringer with a comprehensive covenant not to sue for infringement. An “actual controversy” only remains if there continues to exist between the parties a “definite and concrete” dispute that is “real and

substantial." If the covenant not to sue excuses all activity by the putative infringer that is currently "definite and concrete" and "real and substantial," an actual controversy ceases to exist. Certainly the party originally charged with infringement may wish to continue its challenge to the validity of the formerly-asserted intellectual property right, but since none of its ongoing activity may be charged with infringement, any remaining dispute is as academic as it is one-sided. In the absence of any possibility of infringement, the mere continued existence of the intellectual property right causes no injury to the recipient of the covenant not to sue that is "of sufficient immediacy and reality to warrant the issuance of a declaratory judgment."

Whether a particular covenant not to sue will suffice to end any actual controversy will depend on its wording and the alleged infringer's activities. As it did in *MedImmune*, however, the Court can provide guidance that would be helpful to intellectual property owners and those charged with infringement alike.

IPO submits, for example, that a covenant not to sue divests the court of jurisdiction when it gives the alleged infringer two promises. First, the covenant not to sue must extend to the alleged infringer freedom from past liability and to continue its existing activities formerly charged with infringement (*e.g.*, existing trademark use or existing products charged with patent infringement). As the "any colorable imitations" language in the covenant not to sue at issue in this case reflects, the covenant cannot be so constrained that it prohibits even the most minor of modifications to the alleged infringer's

activities that have no bearing on the issue of infringement. In this regard, the alleged infringer's freedom to modify its existing activities while retaining the immunity from suit conferred by the covenant would mirror the range of modified activities a finding of infringement encompasses. In each case, only minor variations that do not raise new issues of infringement are permitted. See *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869, 881 (Fed. Cir. 2011) (*en banc*) (defendant risks contempt of infringement judgment unless there is "more than a colorable difference" between the accused product and the adjudged infringing product such that "substantial open issues with respect to infringement exist") (citing *Cal. Artificial Stone Paving Co. v. Molitor*, 113 U.S. 609, 618 (1885) (defendant risks contempt if its new activity does not raise "a fair ground of doubt as to the wrongfulness of the defendant's conduct").

Second, the covenant not to sue must resolve any other real and concrete disputes that may then exist regarding infringement of the intellectual property at issue by the defendant. If existing activities of the defendant beyond those pled in the complaint have been put at issue, the covenant cannot leave such disputes unresolved. Here, the test should mirror the *MedImmune* test for subject matter jurisdiction in declaratory judgment actions. If existing activities of the alleged infringer beyond those specifically accused of infringement would be sufficient to support a stand-alone action seeking a declaratory judgment of noninfringement or invalidity, the covenant cannot leave that dispute unresolved.

However, the intellectual property owner need not forfeit all rights into the future to seek relief for any infringing activities in which the putative infringer may choose to engage. The alleged infringer, for its part, receives immunity for its activities that conferred jurisdiction over the original dispute, and activities for which there remains an actual, concrete dispute capable of judicial resolution. On the other hand, a justiciable dispute does not exist between the parties as to any hypothetical future activities. For example, the covenant not to sue need not encompass activities that have not progressed to the point where real and substantial preparations for commercialization have been made (e.g., trademarks merely under consideration for use, or in the case of patents, products still under development).

Such a standard would not protect a party against infringement arising from activities that have yet to enter a commercial stage, but such protection is not needed to remove a justiciable controversy. For example, if the accused infringer is merely considering whether to use a new name for its product or service, different from the name accused of infringement by the trademark owner, the court would not have jurisdiction to issue an advisory opinion as to which names would infringe the trademark at issue and which would not. Likewise, in the case of future products that might someday be accused of infringing the patent for which a covenant not to sue has been issued, a product still under development could change so that it might or might not infringe in the future. Any dispute at the development stage, therefore, would be hypothetical, not yet "definite and concrete."

An intellectual property owner should not be required to provide a covenant not to sue for future activities that the defendant is merely contemplating in order to remove a current controversy and divest a district court of jurisdiction. Because such hypothetical activities would not support a stand-alone declaratory judgment action under *MedImmune*, they cannot support continued jurisdiction over a declaratory judgment counterclaim once a covenant not to sue has been given. Requiring that the intellectual property owner extend blanket immunity to any future activities of the alleged infringer in order to end a judicial challenge to the validity of its intellectual property rights supports neither the efficient operation of the courts nor the fundamental purposes underlying intellectual property rights. In the case of trademarks, for example, the Court has explained that they serve the dual purposes of consumer protection and promoting investments in quality products and services:

[T]rademark law, by preventing others from copying a source-identifying mark, reduce[s] the customer's costs of shopping and making purchasing decisions, for it quickly and easily assures a potential customer that ... the item with this mark ... is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation related

rewards associated with a desirable product.

*Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995).

Each of these twin purposes would be undermined if a trademark owner were required to extend carte blanche immunity from suit to a putative infringer in order to end the validity challenge. Such a requirement would give the recipient of the covenant not to sue free rein to sow the seeds of consumer confusion in the marketplace by adopting whatever confusingly similar marks it desired. Moreover, the trademark owner would be left with little, if any, incentive to use the mark in connection with further sales of its products, since any goodwill it created through such sales would be at risk of appropriation by the recipient of the covenant not to sue. The mere fact that a trademark owner, like Nike in this case, determines that a particular competitor's actions do not create a sufficient likelihood of confusion to justify continued litigation does not justify destruction of the trademark in this manner by requiring that the covenant grant unfettered immunity from suit.

Application of the standard IPO proposes will, of course, vary from case to case. The district court must determine whether the covenant not to sue encompasses all "definite and concrete" disputes between the parties regarding the intellectual property rights at issue. If existing activities of the alleged infringer beyond those specifically accused of infringement have progressed to the point where they would support a stand-alone action seeking a

declaratory judgment of noninfringement or invalidity, the dispute continues unless the covenant not to sue encompasses such activities. In many cases, that determination will depend on whether those activities have progressed to the point where real and substantial preparations have been made towards commercialization of those activities.

**II. The Balanced Standard IPO Proposes For Determining Whether A Covenant Not To Sue Ends A Justiciable Case Or Controversy, Based On The Court's *MedImmune* Test, Is Good Public Policy.**

For intellectual property owners, there are many legitimate reasons to want to end infringement litigation after it has begun. For example, the intellectual property owner may discover during a lawsuit that damages are minimal and not worth the costs and disruption of further litigation. Or the intellectual property owner may learn during discovery that the facts do not support a persuasive infringement charge. In such circumstances, the plaintiff faces a choice. It may choose to dismiss its infringement action, which may or may not end a counterclaim seeking a declaration of invalidity. Or it can go further by providing the alleged infringer with a covenant not to sue for infringement, which, if sufficiently comprehensive, ends the dispute and thus ends subject matter jurisdiction over the invalidity counterclaim. In such circumstances, the Constitutional requirement that subject matter jurisdiction ceases to exist upon elimination of the case or controversy fully aligns with the interests of judicial economy and finality.

For accused infringers, freedom for their current actions and their definite, concrete forthcoming activities is as much protection as they can rightfully expect. As long as an actual controversy exists regarding infringement, they can continue to seek judicial assistance in furthering the public interest in challenging dubious assertions of intellectual property infringement. See *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) (discussing policy interests in challenging invalid patents). Accused infringers can continue to challenge the intellectual property rights at issue as long as they still have sufficient interests, but once they are protected for their current and their forthcoming activities that raise an actual controversy, their interests and any public interest in challenging the intellectual property rights at issue should yield to the interests of judicial economy and finality. To hold otherwise might even raise the specter of collusive litigation to reaffirm or bolster intellectual property rights where the challenger has no real motive to invalidate the rights at issue.

IPO's proposed standard in no way leaves the recipient of the covenant not to sue without recourse if it wishes to continue to challenge the intellectual property rights previously asserted against it. The United States Patent and Trademark Office adjudicates administrative challenges to registered trademarks and patents even in the absence of an Article III case or controversy. For trademarks, "any person who believes that he is or will be damaged ... by the registration of a mark on the principal [trademark] register" can file a petition to cancel the trademark. See 15 U.S.C. § 1064. For patents, Congress has made a number of options available for

administratively challenging validity. “Any person at any time may file a request for reexamination by the Office of any claim of a patent” based on prior art patents or printed publications. *See* 35 U.S.C. § 302. And to address concerns about the availability of lower-cost, speedier alternatives to litigation for challenging patent validity, in its last session Congress passed the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.), which will add “*inter partes* review,” “post grant review” and a “transitional program for review of covered business method patents” to provide additional means by which members of the public can challenge patents they believe to be invalid. *Id.* at Sec. 6, 125 Stat. at 299–313 (codified at 35 U.S.C. §§ 311-19, 321-29); Sec. 18, 125 Stat. at 330 (codified at 35 U.S.C. § 321-29).

Finally, IPO’s proposed standard does not undermine existing safeguards against baseless assertions of intellectual property rights. An appropriate covenant not to sue only divests a district court of jurisdiction over the infringement claims and invalidity counterclaims; it does not end jurisdiction over other counterclaims that may have been pled, nor does it divest the court of its discretion to impose sanctions for bringing a baseless action or for litigation misconduct. *See Willy v. Coastal Corp.*, 503 U.S. 131, 137-39 (1992) (upholding Rule 11 sanctions order imposed by district court that lacked subject matter jurisdiction, because such an order “is collateral to the merits” and vindicates the court’s “interest in having rules of procedure obeyed”); *Highway Equip. Co., Inc. v. FECO, Ltd.*, 469 F.3d

1027, 1032 (Fed. Cir. 2006) (same result under 35 U.S.C. § 285). Thus, district courts will continue to have the power to award attorneys' fees or to impose other sanctions against a party asserting its intellectual property rights in bad faith. *See, e.g.*, FED. R. CIV. P. 11; 15 U.S.C. § 1117(a)(3) (for trademark infringement actions, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party"); 35 U.S.C. § 285 (same for patent infringement actions).

Accordingly, IPO's proposed standard should not raise concerns that it will condone the filing of weak infringement claims to harass defendants, or "hit and run" tactics where the plaintiff relies on the *in terrorem* effect of filing suit to achieve its objectives, and ends the case by issuing a covenant not to sue if the defendant puts forth a vigorous defense. The district courts have ample tools and discretion to guard against such potential abuses.

## CONCLUSION

IPO encourages the Court to adopt the proposal set forth herein: a covenant not to sue divests a federal court of subject matter jurisdiction over an invalidity counterclaim when it resolves all infringement issues raised by the alleged infringer's past and current activities, as well as future continuation of those activities, along with any other real and concrete disputes that may exist regarding whether the alleged infringer's then-existing activities infringe the intellectual property at issue.

Respectfully submitted.

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AUGUST 2012

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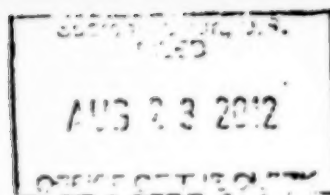
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**AMICUS  
CURIAE  
BRIEF**



No. 11-982

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IN THE  
**Supreme Court of the United States**

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ALREADY, LLC D/B/A YUMS,  
*Petitioner,*

v.

NIKE, INC.,  
*Respondent.*

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**On Writ of Certiorari  
to the United States Court of Appeals  
for the Second Circuit**

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**BRIEF OF  
INTELLECTUAL PROPERTY PROFESSORS  
AS *AMICI CURIAE* IN SUPPORT OF PETITIONER**

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## INTEREST OF *AMICI CURIAE*<sup>1</sup>

*Amici* are law professors who write and teach in the areas of intellectual property, trademark law, patent law, civil procedure, and federal jurisdiction. A full list of *amici* can be found in the Appendix to this brief. Although we have diverse perspectives on the substance of trademark law, we are uniformly concerned about the development of the law of justiciability as it relates to causes of action challenging the validity of government-granted or recognized exclusive rights pursuant to the trademark and patent statutes. We submit this brief to express our views concerning the proper legal analysis of standing and mootness questions as they arise in challenges to the validity of intellectual property.

## INTRODUCTION AND SUMMARY

This case concerns the justiciability of federal court actions that challenge the validity of intellectual property. The question who has standing to challenge the validity of an exclusive right is a constitutional question. It arises both in trademark and, even more frequently, in patent litigation. As the court of appeals below recognized, the legal framework for answering the question is common to the

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<sup>1</sup> Pursuant to Supreme Court Rule 37.6, counsel for *amici* represent that no counsel for a party authored this brief in whole or in part and that none of the parties or their counsel, nor any other person or entity other than *amici* or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Counsel for *amici* also represent that all parties have consented to the filing of this brief, and letters reflecting their consent have been filed with the Clerk.

two regimes.<sup>2</sup> And the costs of overly stringent justiciability rules are common to the two regimes as well. Both the court of appeals below and the Federal Circuit in a series of recent patent cases have erred in their analyses of the justiciability of actions seeking a declaration that a particular trademark or patent is invalid.<sup>3</sup>

In this case, petitioner Already, LLC (“Already”) seeks – by way of a counterclaim<sup>4</sup> – a declaration that certain trademarks held and asserted by respondent Nike, Inc. (“Nike”) are invalid as a matter of federal and state trademark law. See Pet. App. 2a-3a, 23a. Already also seeks cancellation of a Nike mark (the “’905 Registration”) registered with the U.S. Patent and Trademark Office (“PTO”) in accordance with 15 U.S.C. § 1119.

Already has standing to pursue this action because Nike’s intellectual property claims pose a continuing threat to Already’s ability to innovate and to invest in new product design. Nike’s unilateral covenant not to sue over Already’s current products does nothing to reduce this threat, or thereby to moot Already’s counterclaim. Indeed, in the absence of

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<sup>2</sup> See Pet. App. 12a (“[P]rinciples applicable to declaratory judgment actions involving patents are generally applicable with respect to trademarks.”) (quoting *Starter Corp. v. Converse, Inc.*, 84 F.3d 592, 596 (2d Cir. 1996) (per curiam)); *id.* at 12a-15a & 13a n.2 (relying on *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294 (Fed. Cir. 2009)).

<sup>3</sup> See Pet. App. 9a-19a; *Dow Jones & Co. v. Ablaise Ltd.*, 606 F.3d 1338, 1348 (Fed. Cir. 2010); *Revolution Eyewear*, 556 F.3d at 1296-1300; *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1345-49 (Fed. Cir. 2007).

<sup>4</sup> For clarity, this brief will refer to a party that raises a declaratory judgment counterclaim as a “declaratory judgment plaintiff.”

declaratory relief, Nike remains free to continue to assert its intellectual property claims against Already or others while simultaneously shielding them from validity challenges in court. Already therefore continues to have standing to clear the field so that it and other competitors may be certain of the validity of Nike's asserted rights.

I. A declaratory judgment plaintiff challenging the validity of a trademark (or a patent) must – like any other plaintiff – demonstrate standing. The existence of a trademark or a patent in a particular field creates a present risk to the ongoing economic activities of participants in that field. That risk constitutes an “injury in fact” when it deters participants from engaging or investing in activity that may fall within the scope of the exclusive right. The risk is “fairly traceable” to a trademark or patent owner's actions to acquire, hold, and maintain the intellectual property. And the risk can be eliminated – the injury is “redress[able]” – by a judicial finding that the right is invalid. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992) (alterations omitted). Just as a developer of real property need not put up a building before clearing title to the land he seeks to develop, participants in the relevant industry need not risk capital before seeking to clear potentially adverse intellectual property rights.

A unilateral promise by the right holder not to assert the right against a declaratory judgment plaintiff's *then-existing* products or activities does not moot an action that is justiciable in the manner described above. While such a covenant may immunize a declaratory judgment plaintiff against liability for a particular activity that currently infringes the trademark or patent, it does nothing to remove the

risk and uncertainty associated with the plaintiff's ongoing and future investments. It may remedy the injury associated with a particular claim of *infringement* – the present threat of infringement liability – but it does not remedy the ongoing risk and uncertainty associated with the *validity* of an intellectual property right.

At the very least, this Court's mootness precedents require the party seeking to avoid an adjudication of the validity of its intellectual property to demonstrate that it is "absolutely clear" that the threat posed by its intellectual property to the plaintiff's activities will not recur. *Friends of the Earth, Inc. v. Laidlaw Envtl. Servs. (TOC), Inc.*, 528 U.S. 167, 190 (2000).

II. Access to courts to test the validity of trademarks and patents is essential to ensuring that only those marks and inventions that qualify for protection under the relevant statutes are the subject of exclusive rights. As this Court has recognized, invalid intellectual property rights limit the public's freedom to use articles, ideas, or marks, but do not confer the social benefits that the intellectual property laws are meant to bring about. Neither initial administrative review of intellectual property claims nor post-grant administrative review procedures adequately substitute for judicial determinations of validity. When plaintiffs are deterred from engaging in innovative activity by the threat of potentially invalid intellectual property claims and are willing to challenge the validity of those claims, the rules of justiciability should not allow the right holder unilaterally to avoid suit.

## ARGUMENT

### I. A COVENANT NOT TO SUE DOES NOT DIVEST THE COURTS OF JURISDICTION TO ADJUDICATE THE VALIDITY OF INTELLECTUAL PROPERTY

This Court has squarely held that “[a] party seeking a declaratory judgment of invalidity presents a claim independent of” the intellectual property holder’s “charge of infringement.” *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 96 (1993). A claim that a trademark or a patent is invalid is distinct from a claim that a declaratory judgment plaintiff’s particular activity does not infringe an existing trademark or patent. Plaintiffs claiming invalidity assert that a registered trademark or patent was improperly granted or that an unregistered trademark was not validly asserted as a matter of law.<sup>5</sup> It is a claim that they and the public at large “may use the invention or work at will and without attribution,” *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 34 (2003), rather than a fact-specific

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<sup>5</sup> A trademark need not be registered with the PTO to be asserted against a putative infringer. *See, e.g., Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 767-68 (1992). Registration of a mark constitutes “prima facie evidence of the validity of the registered mark,” 15 U.S.C. § 1115(a), and affords the registrant certain favorable privileges and presumptions. But the underlying legal question whether a mark constitutes a “trademark” subject to protection, *see id.* § 1127, is the same for registered and unregistered marks. *See Two Pesos*, 505 U.S. at 768 (“[T]he general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a).”). This brief uses the term “validity” in the context of trademarks to refer to that common question; in this case, Nike asserted both registered and unregistered trademarks against Already. *See* JA34a-35a.

claim that they may engage in particular activity without running afoul of the right. The justiciability of an invalidity claim therefore depends on the initial and continuing presence of an injury that arises from the existence *vel non* of the allegedly invalid right, rather than on any particular assertion of the right or activity of the right holder. So long as that injury remains, an invalidity action is not moot even “in the absence of an ongoing dispute between the parties over *infringement*.” *Cardinal Chem.*, 508 U.S. at 95 (emphasis added).

#### **A. This Court’s Cases Support Broad Initial Standing To Challenge The Validity Of Intellectual Property**

1. The Declaratory Judgment Act provides that, “[i]n a case of actual controversy within its jurisdiction, . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration.” 28 U.S.C. § 2201(a). This Court has explained that an action for a declaratory judgment, like an action for other legal or equitable relief, must qualify as a “[c]ase” or “[c]ontroversy” under Article III of the Constitution to be justiciable. *See MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 126-27 (2007) (“[T]he phrase ‘case of actual controversy’ in the [Declaratory Judgment] Act refers to the type of ‘Cases’ and ‘Controversies’ that are justiciable under Article III.”).

Determining whether a declaratory judgment action is justiciable is therefore no different from determining whether an action seeking other relief is justiciable. *See Franchise Tax Bd. v. Construction Laborers Vacation Trust for Southern California*, 463 U.S. 1, 17 (1983) (“[T]he Declaratory Judgment Act was intended to affect only the remedies available in a

federal district court, not the court's jurisdiction."'). A declaratory judgment plaintiff must satisfy "[t]he several doctrines that have grown up to elaborate" the case or controversy requirement. *Allen v. Wright*, 468 U.S. 737, 750 (1984). Those doctrines include standing, mootness, and ripeness. *See id.*

To be sure, the Court has noted that questions of standing and ripeness can overlap in declaratory judgment cases. In *MedImmune*, the Court noted that "[t]he justiciability problem that arises" in declaratory judgment cases "can be described in terms of standing . . . or in terms of ripeness." 549 U.S. at 128 n.8. Nevertheless, "the core component of standing is an essential and unchanging part of the case-or-controversy requirement." *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992). The court of appeals held "that it had no actual case or controversy before it." Pet. App. 14a. But it failed correctly to analyze the nature of the initial case or controversy with respect to validity and therefore erred in finding that case or controversy moot.

2. A plaintiff has standing to sue when he has demonstrated that he has suffered or is "under threat of suffering 'injury in fact' that is concrete and particularized; the threat must be actual and imminent, not conjectural or hypothetical; it must be fairly traceable to the challenged action of the defendant; and it must be likely that a favorable judicial decision will prevent or redress the injury." *Summers v. Earth Island Inst.*, 555 U.S. 488, 493 (2009) (quoting *Friends of the Earth, Inc. v. Laidlaw Envtl. Servs. (TOC), Inc.*, 528 U.S. 167, 180-81 (2000)). In an action seeking a declaration that a trademark or a patent is invalid, the injury is a present restraint on economic activity created by the risk and uncertainty

that surrounds a potentially invalid exclusive right. That injury is caused by the right holder's acquiring, holding, and maintaining a potentially invalid exclusive right. And the injury is redressed by a determination of the legal question whether the exclusive right is valid.

Trademarks and patents are exclusive rights. See *Festo Corp. v. Shoketsu Kinzoku Kōgō Kabushiki Co.*, 535 U.S. 722, 730-31 (2002); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 162 (1995). They are negative rights that allow their holders to keep others from engaging in activities that fall within their boundaries. See 15 U.S.C. §§ 1114(1), 1125(a); 35 U.S.C. § 271(a). Conversely, and from the perspective of third parties working in the same field as the right holder, a trademark or a patent regulates their activity. Absent a grant of intellectual property, "ideas once placed before the public . . . are subject to appropriation without significant restraint." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156 (1989). Trademarks and patents, by contrast, represent a restraint on otherwise lawful activity. In the absence of a defense such as prior use or fair use, others working in the field must avoid activities that fall within the scope of the right or must secure permission, usually accompanied by a fee, to use the protected works.

But the validity of a trademark or a patent remains uncertain until it is tested in court. Although their respective statutes provide that the registration of a trademark "shall be prima facie evidence of the validity of the registered mark," 15 U.S.C. § 1115(a), and that issued patents "shall be presumed valid," 35 U.S.C. § 282(a), the "ultimate question of . . . validity is one of law" that a court decides in litigation.

*Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242-43 (2011) (quoting *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)).<sup>6</sup>

Because the validity of an intellectual property right is not certain, economic actors face a risk of liability if they wish to engage in activity that may fall within the boundaries of the right. Indeed, that risk may be significant enough to deter valuable activity. When a person is deterred from undertaking valuable economic activity by the risk that the activity may encroach on another's exclusive right, that person has incurred an actual, concrete, and particularized injury.

This Court has recognized that increased risk can constitute an injury in fact sufficient to support standing. In *Massachusetts v. EPA*, 549 U.S. 497 (2007), the Court held that an increased risk of harm from climate change created by the failure of the Environmental Protection Agency ("EPA") to regulate carbon dioxide emissions was a cognizable injury in fact. *See id.* at 521-23. Such injuries are "actual." *Lujan*, 504 U.S. at 560 (internal quotation marks omitted). Risk of harm is a presently occurring fact

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<sup>6</sup> The Lanham Act provides that, when a mark has been registered and subsequently is "in continuous use for five consecutive years" without a successful or pending challenge to the validity of the mark in court or in the PTO, the mark "shall be incontestable" if the mark's owner files an appropriate affidavit. 15 U.S.C. § 1065. The registration of a mark that has become incontestable is "conclusive evidence of the validity of the registered mark," *id.* § 1115(b), and the grounds on which its validity may be cast in doubt are narrowed, *id.* §§ 1064(3), (5), 1115(b). *See Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 196-97 (1985). In this case, the '905 Registration has not become incontestable. Even if it had, some grounds for challenge would remain. *See id.*

that – as described below – often results in changes in behavior on the part of the injured party. These injuries also are “concrete and particularized.” *Id.* They are experienced by individuals or firms, and a reduction in or elimination of the risk redresses the injury. See *Massachusetts*, 549 U.S. at 525 n.23; *Natural Res. Def. Council v. EPA*, 464 F.3d 1, 6-7 (D.C. Cir. 2006) (recognizing that “increases in risk can at times be ‘injuries in fact’ sufficient to confer standing” and finding standing to challenge EPA rule that increased risk of cancer); *Baur v. Veneman*, 352 F.3d 625, 634 (2d Cir. 2003) (holding that “enhanced risk . . . injuries are cognizable for standing purposes” in food and drug safety suits “where the plaintiff alleges exposure to potentially harmful products”); *Village of Elk Grove Village v. Evans*, 997 F.2d 328, 329 (7th Cir. 1993) (“[E]ven a small probability of injury is sufficient to create a case or controversy – to take a suit out of the category of the hypothetical – provided of course that the relief sought would, if granted, reduce the probability.”); F. Andrew Hessick, *Probabilistic Standing*, 106 Nw. U. L. Rev. 55, 65-70 (2012) (arguing that “probabilistic injuries present an actual case or controversy”).

With respect to intellectual property, the Court has explained in similar terms the nature of the injury that is sufficient to sustain an invalidity action. In *Cardinal Chemical*, the Court held that a judgment of noninfringement does not moot a counterclaim for a declaratory judgment of invalidity. See 508 U.S. at 96. In describing the injury that gave rise to a separate Article III case or controversy with respect to validity, the Court focused on the present and ongoing risk that a potentially invalid patent caused for others working in the field. “A company once

charged with infringement,” the Court explained, “must remain concerned about the risk of similar charges if it develops and markets similar products in the future.” *Id.* at 99-100.

But intellectual property owners need not file infringement suits to create or maintain that “concern[],” *id.* at 100. See Christopher R. Leslie, *Patents of Damocles*, 83 Ind. L.J. 133, 142-60 (2008) (cataloguing means of extra-judicial enforcement). As the Federal Circuit has observed, the presence of an adverse intellectual property right can “infect the competitive environment of the business community with uncertainty and insecurity,” as the holder “brandish[es] a Damoclean threat with a sheathed sword.” *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed. Cir. 1988).

In fact, right holders need not take any action at all to enjoy the deterrent effect of their intellectual property. Judge Learned Hand recognized long ago that intellectual property can function as a “scarecrow,” deterring activity even by its mere presence in a field of endeavor. *Bresnick v. United States Vitamin Corp.*, 139 F.2d 239, 242 (2d Cir. 1943); see *Cardinal Chem.*, 508 U.S. at 96 & n.18. As the Federal Trade Commission (“FTC”) found with respect to patents, the risk of liability often will lead firms to “avoid infringing questionable patents” by “refrain[ing] from entering or continuing with a particular field of research that such patents appear to cover.” FTC, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, Exec. Summary at 5 (Oct. 2003) (“FTC Report”), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>. Consistent with these observations, this Court concluded in *Cardinal Chemical* that “[m]erely the desire to avoid the threat

of a 'scarecrow' patent . . . may therefore be sufficient to establish jurisdiction under the Declaratory Judgment Act." 508 U.S. at 96.

That principle is especially true because investments in intellectual works often must be made over time. Those investments are just as subject to the risk posed by invalid intellectual property as investments made close to the time of actual infringement. As the Court wrote in *MedImmune*, "[t]he rule that a plaintiff must destroy a large building, bet the farm, or . . . risk treble damages and the loss of 80 percent of its business before seeking a declaration of its actively contested legal rights finds no support in Article III." 549 U.S. at 134. Those engaged in activity that may violate intellectual property rights are no different from developers of real property: each has standing to clear the field of invalid rights *before* making costly, at-risk investments.

In this case, Already explained in the district court and the court of appeals that it is engaged continually in product development efforts. See JA172a-174a. Product designs in the footwear industry change rapidly to keep pace with customers' changing tastes. Individual shoe lines may be modified several times per year, and new lines are introduced with great frequency. See JA173a. Nike's alleged marks are not merely logos or identifying words or phrases, but a set of design elements. See JA33a-34a. As Already develops, manufactures, and markets new shoe designs, it must bear the risk that one of its designs might run afoul of Nike's potentially invalid marks. Products that will not be marketed immediately nevertheless require present investments in design and development. Absent a declaratory judgment action, Already must either proceed with these investments

in the shadow of possible liability or forgo certain product designs. This inability to plan its product lines functionally has already discouraged the company's investors from providing additional funding. See, e.g., JA169a-170a, 179a-180a. The risk associated with Already's products has also discouraged retailers from carrying those products. See JA176a-177a. The Nike marks act as a present restraint on Already's creative and business efforts and are therefore a continuing source of injury.

A similar dynamic often is at work in patent cases. Pharmaceutical research, for example, is notoriously time consuming, expensive, and uncertain. See *Merck KGaA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193, 205-07 (2005). Pharmaceutical firms often are deterred from making the tremendous investments of time and money required to bring a product through the drug development process unless they can be assured that the field is clear of invalid patents prior to marketing. See FTC Report, Exec. Summary at 5-6; *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1354 (Fed. Cir. 2007) (Dyk, J., dissenting) (noting that the absence of declaratory relief for pharmaceutical firms "will have the effect of inhibiting [their] ability to raise funds and conduct research and development"). Indeed, any early-stage inventor or designer who learns in good faith of the existence of a patent or trademark in her field may face a "Hobson's choice," *id.* at 1350 (Dyk, J., dissenting), between making investments in the face of potentially crushing liability – both the patent and trademark statutes provide for enhanced damages for willful infringement, see 35 U.S.C. § 284; 15 U.S.C. § 1117(a) – and abandoning her potentially infringing activity.

Recognizing that innovative activity requires investments to be made over time, often well before the actor is in a position actually to engage in potential infringement, will not turn trademarks or patents into licenses to be sued.<sup>7</sup> A declaratory judgment plaintiff's alleged injury must be "particularized" to the plaintiff. *Lujan*, 504 U.S. at 560 & n.1. It must be the plaintiff herself who claims a right to engage in the activity that is otherwise prohibited without the right holder's license. Here, for example, Already faces a risk of liability for trademark infringement; the purchasers of its products generally do not. Similarly, a plaintiff must support her assertion of standing "with the manner and degree of evidence required at the successive stages of the litigation." *Id.* at 561. Ordinary principles of standing prevent, for example, bare assertions of intent to operate within a field without supporting evidence of legitimate business or financial expectations from establishing injury in fact.<sup>8</sup>

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<sup>7</sup> Neither do the standing principles described above implicate Justice Harlan's concern, expressed in *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965), that validity challenges might "chill" patenting behavior. *Id.* at 180 (Harlan, J., concurring). That case involved the threat of treble antitrust damages for fraudulent enforcement of a patent; suits seeking a declaration of invalidity do not subject patent holders to such damages.

<sup>8</sup> The courts also have available to them a variety of prudential or discretionary doctrines to weed out suits that appear to be especially pernicious. See, e.g., *FEC v. Akins*, 524 U.S. 11, 20 (1998) ("[P]rudential standing is satisfied when the injury asserted by a plaintiff arguably falls within the zone of interests to be protected or regulated by the statute in question.") (internal quotation marks, brackets, and ellipses omitted); *National Park Hospitality Ass'n v. Department of Interior*, 538 U.S. 803, 808 (2003) ("Determining whether [an] action is ripe for judicial

Standing also requires that the plaintiff demonstrate "a causal connection between the injury and the conduct complained of." *Lujan*, 504 U.S. at 560. In an action to invalidate a grant of intellectual property, the injury described above arises from the defendant's acquisition of and subsequent holding and maintenance of a trademark or a patent in the relevant field. It is the *existence* of the intellectual property rather than any specific actions the right holder may take that creates risk and uncertainty for other potential innovators in the field.

The trademark owner acquires her right by using a distinctive mark in commerce to identify her goods. See 15 U.S.C. § 1127. The patent owner discloses and particularly claims her new, useful, and nonobvious invention in a patent application. See 35 U.S.C. § 112. In so doing, the right holders define the scope of the risk to which others working in their fields are exposed.<sup>9</sup> They maintain the existence of the risk by perfecting and then holding their exclusive rights instead of relinquishing them. The right holders' actions therefore are both but-for and proximate causes of the increased risk of infringement liability.

It is of course true that steps taken toward enforcing intellectual property rights heighten the magnitude of the risk for actors in the relevant field. *Cf.*

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review requires [the Court] to evaluate (1) the fitness of the issues for judicial decision and (2) the hardship to the parties of withholding court consideration."); *MedImmune*, 549 U.S. at 136 ("The Declaratory Judgment Act provides that a court 'may declare the rights and other legal relations of any interested party,' not that it *must* do so.") (quoting 28 U.S.C. § 2201(a)).

<sup>9</sup> To be sure, the PTO must approve registered trademarks and all patents. But the PTO acts only on the application of the putative right holder.

*Cardinal Chem.*, 508 U.S. at 96 (“If, in addition to th[e] desire [to avoid the threat of a ‘scarecrow’ patent], a party has actually been charged with infringement of the patent, there is, *necessarily*, a case or controversy.”). But the risk of engaging in economic activity in the face of potentially adverse intellectual property rights exists regardless of the right holder’s specific activities. That is because investment decisions made in the shadow of a potentially invalid trademark or patent can be held up or appropriated if and when the right holder ever decides to take action. To hold, as some courts have suggested, *see, e.g., Association for Molecular Pathology v. USPTO*, No. 2010-1406, 2012 WL 3518509, at \*10 (Fed. Cir. Aug. 16, 2012), that an action is justiciable only if the *right holder* takes action toward a suit – or, as in this case, toward maintaining a suit, *see infra* Part I.B – is to vest the right holder with control over the circumstances in which the intellectual property right can be challenged. This is precisely the problem that the Declaratory Judgment Act was meant to solve. *See Minnesota Mining & Mfg. Co. v. Norton Co.*, 929 F.2d 670, 673 (Fed. Cir. 1991) (“In promulgating the Declaratory Judgment Act, Congress intended to prevent avoidable damages from being incurred by a person uncertain of his rights and threatened with damage by delayed adjudication.”).

Finally, granting the relief requested – issuing a declaration that a trademark or a patent is invalid – will “redress[]” the injury described above. *Lujan*, 504 U.S. at 561-62. When the risk and uncertainty created by the existence of an intellectual property right results in a restraint on present economic activity, a declaration that the trademark or patent is

invalid eliminates the uncertainty and removes the constraint. A declaratory judgment of invalidity is a legal judgment that has present effect and that applies as against *all* potential infringers. See *Blonder-Tongue Labs., Inc. v. University of Illinois Found.*, 402 U.S. 313, 333-34 (1971) (patent); *Miller Brewing Co. v. Falstaff Brewing Corp.*, 655 F.2d 5, 9 (1st Cir. 1981) (trademark). That decision reduces or eliminates the investment risk that accompanies economic activity in the area previously occupied by the intellectual property.

### **B. A Covenant Not To Sue Does Not Moot A Previously Justiciable Invalidity Claim**

A covenant not to sue over *present* commercial activity – the use, manufacture, or sale of products in existence at the time of the covenant – generally does nothing to change the justiciability analysis described above. The injury in fact arising from the risk of investing in a field with an existing intellectual property right remains undisturbed; that risk is still caused by the right holder's acquisition and maintenance of the right; and it is still redressable by a declaration that the right is invalid.

1. As a general matter, “[t]he requisite personal interest that must exist at the commencement of the litigation (standing) must continue throughout its existence (mootness).” *Arizonans for Official English v. Arizona*, 520 U.S. 43, 68 n.22 (1997) (quoting *United States Parole Comm’n v. Geraghty*, 445 U.S. 388, 397 (1980)); but see *infra* Part I.B.2 (applying voluntary cessation exception). The Court has explained, however, that “[a] case becomes moot only when it is impossible for a court to grant any effectual relief whatever to the prevailing party.” *Knox*

*v. Service Emps. Int'l Union, Local 1000*, 132 S. Ct. 2277, 2287 (2012) (internal quotation marks omitted).

A covenant not to sue for acts of past or present infringement does nothing to change the declaratory judgment plaintiff's "requisite personal interest" in the litigation, *Arizonans for Official English*, 520 U.S. at 68 n.22, nor the potential for a court to "grant . . . effectual relief," *Knox*, 132 S. Ct. at 2287 (internal quotation marks omitted). As described above, the relevant injury in a suit challenging the validity of intellectual property is the present risk that potentially invalid intellectual property poses to economic activity and investment. That activity often is distinct from present commercial activity that gives rise to present infringement liability. A covenant not to sue that is addressed only to the latter does not moot a declaratory judgment action premised on the former.

In this case, Nike filed suit against Already, alleging that Already was engaged in trademark infringement and dilution in its "offer[s] to sell, sale[s], distribution, or advertisement" of "footwear bearing a confusingly similar imitation of the N[ike] [m]ark." JA36a, 35a. Nike later offered Already a covenant not to sue that absolved Already of liability for "any possible cause of action based on or involving trademark infringement, unfair competition, or dilution . . . relating to the N[ike] [m]ark based on the appearance of any of Already's *current and/or previous* footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after" the effective date of the covenant. JA97a (emphasis added).

That covenant by its terms purports to cover only those commercial activities involving Already's footwear designs that were in existence at or prior to the time of the covenant. It does not cover future designs.<sup>10</sup> But, as described above, Already is constantly engaged in the creative process of updating existing shoe lines and introducing new lines and designs. See JA173a. Those activities are conducted in the shadow of Nike's alleged trademarks. Any investment in such activities likewise remains at risk so long as Nike retains the ability to enforce its marks. Indeed, that risk is reflected in the reluctance of Already's investors to continue funding the enterprise. See JA169a-170a. This present restraint on Already's product development activities constitutes an injury that survives the covenant not to sue over present or future sales of products that were in existence at the time of the covenant. And a judi-

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<sup>10</sup> To the extent the court of appeals construed the covenant to cover future footwear designs, see Pet. App. 15a, it was mistaken. The words "colorable imitations thereof" in the covenant modify the phrase "current and/or previous footwear product designs." JA97a. "Colorable imitations" is a term of art in trademark law, often used "as a shorthand for likelihood of confusion." 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:1, at 23-10 (4th ed. 2012) ("McCarthy"); see also 15 U.S.C. § 1127. Different shoe designs may be the subject of common infringement charges without being "colorable imitations" of each other. In this case, for example, Nike claimed that several of Already's product lines infringed its trademarks, see JA35a-36a, even though those designs cannot be said to be "colorable imitations" of each other, see, e.g., Supp. JA122-23. Contrary to the court of appeals' apparent view, see Pet. App. 14a ("[I]t is hard to imagine a scenario that would potentially infringe the '905 mark and yet not fall under the Covenant."), it stands to reason that Already could produce new shoe designs that are not colorable imitations of the existing shoe designs but that nevertheless infringe the Nike marks.

cial declaration that the trademark is invalid would still remedy that injury. This covenant – and others like it – therefore does not end the case or controversy between the declaratory judgment plaintiff and the intellectual property owner.<sup>11</sup>

The court of appeals below and the Federal Circuit, in a series of decisions on which the Second Circuit relied, held otherwise because they focused on the wrong injury. See Pet. App. 12a-17a; *Dow Jones*, 606 F.3d at 1348; *Revolution Eyewear*, 556 F.3d at 1296-1300; *Benitec*, 495 F.3d at 1345-49; *Super Sack*, 57 F.3d at 1059-60. Those courts focused on the immediate threat of liability presented by the intellectual property owner's infringement suit. They treated the invalidity counterclaim more as an affirmative defense than a "claim independent of the [owner's] charge of infringement." *Cardinal Chem.*, 508 U.S. at 96.

In *Super Sack*, the Federal Circuit held that a covenant not to sue eliminates any "reasonable apprehension of suit," which the court at the time believed

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<sup>11</sup> It is true of course that "[w]hether a covenant not to sue will divest the trial court of jurisdiction depends on what is covered by the covenant." *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1297 (Fed. Cir. 2009). An unqualified covenant not to sue that unambiguously covered future product designs might eliminate the injuries described above. But none of the covenants not to sue that have been the subject of recent litigation in the courts of appeals has been so broad. See *Dow Jones & Co. v. Abblaise Ltd.*, 606 F.3d 1338, 1345 (Fed. Cir. 2010); *Revolution Eyewear*, 556 F.3d at 1295-96; *Benitec*, 495 F.3d at 1343; *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1056-57 (Fed. Cir. 1995). That is for good reason – such a covenant would amount to an abandonment of the intellectual property, at least with respect to a particular defendant. It is highly unlikely that a right holder would agree to such a covenant.

was required for jurisdiction under the Declaratory Judgment Act. 57 F.3d at 1059. Although the court acknowledged that the declaratory judgment counterclaimant in that case “may have some cause to fear an infringement suit . . . based on products that it may develop in the future,” the court held that the only relevant injury was the threat of liability for “infringing acts involving products that it made, sold, or used on or before” the covenant. *Id.* In the court’s view, it was the scope of the infringement action, not the validity counterclaim, that determined justiciability.

This Court rejected the Federal Circuit’s “reasonable-apprehension-of-suit test” as a too-narrow conception of declaratory judgment jurisdiction in *MedImmune*. See 549 U.S. at 132 n.11. Yet the Federal Circuit has continued to hold that “a covenant not to sue in the future for products made, used, or sold in the past removes actual controversy in the present,” *Revolution Eyewear*, 556 F.3d at 1297, even though that conclusion was based on an erroneous interpretation of the scope of declaratory judgment jurisdiction.

In *Benitec*, for example, the Federal Circuit held that a covenant not to sue for “infringement arising from activities and/or products occurring on or before the date dismissal was entered,” 495 F.3d at 1343, left the parties with no remaining case or controversy “based upon the activities of the [defendant] on which [the plaintiff] had instituted its suit,” *id.* at 1348. Even though the infringement plaintiff “offered no covenant with respect to future human or animal products or animal research,” *id.* at 1352 (Dyk, J., dissenting), the court ignored the following: the “possibility that [the defendant] may in the future make human drugs that [the plaintiff] would

challenge as infringing”; the fact that the defendant “stated that it intends to pursue animal research”; and the fact that delaying adjudication of the validity of the patent “will have the effect of inhibiting [the defendant’s] ability to raise funds and conduct research and development.” *Id.* at 1354 (Dyk, J., dissenting); *see id.* at 1346-49.

Following that precedent, the court of appeals in this case made the same errors. It explained that “[t]he breadth of the [c]ovenant renders the threat of litigation remote or nonexistent even if Yums continues to market and sell *these* shoes” – that is, “any shoe currently made by Yums . . . and all colorable imitations thereof” – or “significantly increases their production.” Pet. App. 14a (emphasis added). And the court held that Already’s claims of ongoing injury failed to establish that there remained “genuinely adverse legal interests” between the parties over the validity of the trademark registration. *Id.* at 16a.

These holdings are contrary to the standing analysis above and to the logic of this Court’s decision in *Cardinal Chemical*. As to the former, a declaratory judgment counterclaim is not a mere affirmative defense that is mooted when a covenant not to sue effectively withdraws the plaintiff’s current infringement claim. It is an independent action to redress the independent injuries described in Part I.A. As to the latter, the Court has held that “appellate affirmation of a judgment of noninfringement, eliminating any apprehension of suit, does not moot a declaratory judgment counterclaim of patent invalidity.” *Med-Immune*, 549 U.S. at 132 n.11 (citing *Cardinal Chem.*, 508 U.S. at 98). The same logic applies here: although the covenant in this case may have eliminated any reasonable apprehension of suit, it does

not moot Already's independent claim for declaratory relief.

2. At the very least, "[i]t is well settled that a defendant's voluntary cessation of a challenged practice does not deprive a federal court of its power to determine the legality of the practice." *Friends of the Earth*, 528 U.S. at 189 (internal quotation marks omitted). Indeed, "[t]he voluntary cessation of challenged conduct does not ordinarily render a case moot because a dismissal for mootness would permit a resumption of the challenged conduct as soon as the case is dismissed." *Knox*, 132 S. Ct. at 2287. When a plaintiff argues that its own conduct moots a case, the plaintiff therefore "bears the formidable burden of showing that it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur." *Friends of the Earth*, 528 U.S. at 190.

In this case, Already has alleged that the Nike marks pose a significant risk to its ongoing product development and business prospects. Even if Nike's covenant not to sue reduces or eliminates the risk that the registration poses to *some* portion of Already's business, significant uncertainty remains. The covenant not to sue here does not protect Already against infringement or dilution lawsuits arising from future product designs. *See supra* note 10. Already therefore continues to be constrained in its future design by the presence of the potentially invalid marks. Nike has offered no evidence that the challenged conduct – its imposition of an ongoing risk of liability for trademark infringement or dilution – will never recur. To the contrary, Nike's unilateral promise leaves it free to resume enforcement against Already for future products that are sufficiently different

from Already's existing products yet nevertheless may infringe or dilute the marks. Indeed, in the covenant itself, Nike reaffirmed its belief in the validity of its marks. See JA96a.

The Ninth Circuit analyzed the same mootness problem through the lens of voluntary cessation in *Bancroft & Masters, Inc. v. Augusta National Inc.*, 223 F.3d 1082 (9th Cir. 2000). In that case, the court held that a golf club's waiver of infringement, dilution, and unfair competition claims against a seller of computer and networking products and services did not moot the latter's claim for a declaratory judgment of invalidity because the waiver was qualified – the waiver was effective only “so long as [the plaintiff] stays out of the golf business.” *Id.* at 1085. The fact that some risk of liability remained meant that the defendant who sought dismissal had “not made the requisite showing that it is absolutely clear” that it would not again seek to hold the plaintiff liable for using the mark. *Id.* See also *Benitec*, 495 F.3d at 1352-54 (Dyk, J., dissenting) (applying voluntary-cessation standard in patent context).

This Court too has looked with disfavor on defendants' attempts to manipulate justiciability in order to avoid adverse litigation outcomes. See *Knox*, 132 S. Ct. at 2287. That is precisely what Nike has attempted to do in this case. By avoiding a potentially adverse ruling on the validity of its trademark registration, Nike is able to continue to assert the mark depicted in that registration against both Already and other potential infringement defendants. Such “manipulative efforts to defeat declaratory jurisdiction,” *Benitec*, 495 F.3d at 1351 (Dyk, J., dissenting), are increasingly common. Through this tactic, intellectual property holders can assert their

rights in an attempt to extract settlements or judgments while simultaneously shielding those rights from challenge. “It is particularly inappropriate to place the burden of establishing continuing jurisdiction on declaratory plaintiffs where, as here, the claim of mootness is the result of the opposing party’s acts designed, at least in part, to defeat declaratory jurisdiction.” *Id.* at 1353 (Dyk, J., dissenting).

## **II. ACCESS TO THE COURTS TO TEST THE VALIDITY OF INTELLECTUAL PROPERTY IS CRITICAL FOR SOUND POLICY**

### **A. Courts Provide An Essential Forum For Determining The Validity Of Intellectual Property**

This Court has repeatedly “emphasized the importance to the public at large of resolving questions of [intellectual property] validity.” *Cardinal Chem.*, 508 U.S. at 100. Trademarks and patents are “‘exception[s] to the general rule against monopolies and to the right to access to a free and open market.’” *Blonder-Tongue Labs.*, 402 U.S. at 343 (quoting *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)). While they are granted and recognized for important and useful purposes, there is simultaneously a “strong federal policy favoring free competition in ideas which *do not merit . . . protection*” under the intellectual property laws. *Lear, Inc. v. Adkins*, 395 U.S. 653, 656 (1969) (emphasis added); see also *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29 (2001) (“In general, unless an intellectual property right . . . protects an item, it will be subject to copying. As the Court has explained, copying is not always discouraged or disfavored by the laws which preserve our competitive economy.”).

When intellectual property is granted or recognized in error, the public loses substantially. It loses the freedom to use the article, idea, or mark that is the subject of the exclusive right, but does not gain the social benefits typically associated with that right. As this Court has recognized, “[t]he rights of [intellectual property] holder[s] are part of a ‘carefully crafted bargain’ under which, once the [intellectual property] monopoly has expired, the public may use the invention or work at will and without attribution.” *Dastar*, 539 U.S. at 33-34 (quoting *Bonito Boats*, 489 U.S. at 150-51). An invalid intellectual property right is no right at all; if an article or work is not eligible for protection, “the right to make the article – including the right to make it in precisely the shape it carried when [protected] – passes to the public.” *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230 (1964). As this Court has explained, “[a]n unpatentable article . . . is in the public domain and may be made and sold by whoever chooses to do so. . . . Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all – and in the free exercise of which the consuming public is deeply interested.” *Id.* at 231 (internal quotation marks omitted); see also Megan M. La Belle, *Patent Law as Public Law*, 20 Geo. Mason L. Rev. (forthcoming 2012), available at <http://ssrn.com/abstract=2053798>.

The courts are essential forums for ensuring that only valid intellectual property is maintained and potentially asserted against infringers. Administrative examination of trademark and patent applications is necessarily imperfect. The PTO receives, for example, more than 300,000 trademark registration applications each year and issues close to 200,000

certificates of registration. See PTO, *Performance and Accountability Report: Fiscal Year 2011*, at 173 (2012), available at <http://www.uspto.gov/about/stratplan/ar/2011/USPTOFY2011PAR.pdf>; see also *id.* at 159 (PTO receives 500,000 utility patent applications each year and issues more than 200,000 patents annually). The PTO approves about 75% of all applications for registration. See Barton Beebe, *Is The Trademark Office a Rubber Stamp?*, 48 Hous. L. Rev. 751, 770 (2011). Of course, because registration is not a prerequisite for trademark protection, see *Two Pesos*, 505 U.S. at 767-68, many purported marks go without any administrative examination whatsoever.

Although it is difficult to know whether the PTO's grant rate for trademarks is optimal, see Beebe, 48 Hous. L. Rev. at 774-75, there is significant evidence to suggest that a great many invalid patents issue. See James Bessen & Michael J. Meurer, *Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk* 160-63 (2008) (summarizing evidence); see also, e.g., Kimberly A. Moore, *Judges, Juries, and Patent Cases – An Empirical Peek Inside the Black Box*, 99 Mich. L. Rev. 365, 390 (2000) (reporting 33% invalidity rate for patent validity challenges litigated to judgment at trial); John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205 (1998) (reporting 46% invalidity rate for patent validity challenges litigated to judgment). This phenomenon likely arises because the PTO must necessarily devote fewer resources to examination than parties spend in contested litigation over patent validity. See Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1497 (2001).

Of course, “the ultimate question of [intellectual property] validity is one of law” for the courts to decide. *Graham*, 383 U.S. at 17; *see also* 15 U.S.C. § 1119 (“In any action involving a registered mark the court may . . . order the cancelation of registrations . . . of any party to the action.”). This Court has therefore “encourage[d] authoritative testing” of the validity of intellectual property rights, *Blonder-Tongue*, 402 U.S. at 344, through a number of mechanisms. *See MedImmune*, 549 U.S. at 130-34 (licensee need not violate license to bring action for declaratory judgment of invalidity); *Cardinal Chem.*, 508 U.S. at 100-01 (finding of noninfringement does not moot counterclaims for invalidity); *Blonder-Tongue*, 402 U.S. at 346-48 (patent holder estopped from re-litigating finding of invalidity); *Lear*, 395 U.S. at 663-68 (licensees not estopped from asserting invalidity of a patent as a defense in contract action for unpaid royalties).

Overly restrictive justiciability rules prevent the courts from effectively serving their institutional role as a check on the validity of trademarks and patents. Federal court actions are critical mechanisms to ensure that competitors have the ability to clear title within their field before undertaking costly investments. And they prevent intellectual property holders from engaging in manipulative tactics to assert their rights while shielding them from judicial scrutiny of their validity.

Broad standing and mootness rules also facilitate challenges that those who would qualify under more stringent standing criteria might fail to bring. With respect to patents, for example, standing rules that favor invalidity suits brought by direct competitors will disproportionately favor the particular *grounds*

for finding invalidity that are most congenial to those competitors' interests. Challenges to patentable subject matter, for instance, are often not brought by those who hold similar patents because an adverse ruling might place their own patents in jeopardy. Such challenges are more likely from indirect competitors or those non-competitors who nevertheless need to operate in the field free from restraint. *Cf. Association for Molecular Pathology*, 2012 WL 3518509, at \*10-\*14. Overly stringent standing and mootness rules that preclude such challenges similarly preclude important development of intellectual property law.

#### **B. Administrative Remedies Are Not Adequate Substitutes For Declaratory Relief**

While it is true that Congress has in certain circumstances provided for administrative mechanisms for testing the validity of trademarks and patents before the PTO, those mechanisms do not obviate the need for access to robust judicial review. *Contra Br. in Opp.* 29. Such mechanisms are under-inclusive relative to declaratory relief in court.

The Lanham Act provides that "any person who believes that he is or will be damaged . . . by the registration of a mark" can, under certain circumstances and within certain limits, file a "petition to cancel a registration" with the PTO. 15 U.S.C. § 1064. The PTO, however, lacks the authority to adjudicate the validity of *unregistered* marks like some of those challenged in this case. See JA34a-35a, 37a-38a. Even as to registered marks, plenary review in the PTO is available only for five years following registration. After that time, the grounds for review are

limited by statute.<sup>12</sup> *See id.* § 1064(3). Similarly, in patent law, Congress enacted new post-grant review procedures as part of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6, 125 Stat. 284, 299 (2011). While those procedures are more robust than previous administrative review mechanisms, they still cannot substitute entirely for federal court actions. The scope of review under those provisions is more limited than the scope of review in declaratory judgment suits. Plenary review of the validity of an issued patent is available only for nine months following issuance. *See* 35 U.S.C. § 321(c). After that date, administrative review is limited to claims that the patent is not novel or nonobvious. *See id.* § 311(b). Challenges to patentable subject matter, for example, must still be brought in court. Finally, the more robust procedures of the Act apply only to patents that issue from applications filed after March 16, 2013. *See* Pub. L. No. 112-29, § 6(f)(2)(A), 125 Stat. 311.

These administrative review mechanisms, moreover, will not keep potential challengers entirely out of federal court. The right holder can – and most likely will – appeal any adverse agency determination to the Federal Circuit, *see* 15 U.S.C. § 1071(a); 35 U.S.C. §§ 141(c), 319, 329, or, in the case of trademarks, to the district court, *see* 15 U.S.C. § 1071(b). It is also worth noting in this context that, if Nike’s view of standing is correct, then it is not clear whether all such challengers in administrative proceedings, to which Article III does not apply, will themselves be able to appeal adverse decisions.

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<sup>12</sup> These limitations apply even if the trademark owner has not sought to make the mark incontestable. *See* 3 McCarthy § 20:55, at 20-139 – 20-140.

In short, while post-grant review or cancellation proceedings before the PTO may be effective in some circumstances, they will not adequately vindicate "the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain." *Lear*, 395 U.S. at 670.

### CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted,

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**AMICUS  
CURIAE  
BRIEF**

No. 11-982

Supreme Court, U.S.  
FILED

OCT 1 - 2012

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OFFICE OF THE CLERK

# Supreme Court of the United States

ALREADY, LLC, D/B/A YUMS,

*Petitioner,*

v.

NIKE, INC.,

*Respondent.*

On Writ of Certiorari to the United States Court  
of Appeals for the Second Circuit

## BRIEF OF *AMICUS CURIAE* THE INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF RESPONDENT

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October 1, 2012

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## INTEREST OF THE *AMICUS CURIAE*<sup>1</sup>

Founded in 1878, INTA is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of trade and commerce. INTA has more than 5,900 members in more than 190 countries. Its members include trademark owners, law firms, and other professionals who regularly assist brand owners in the creation, registration, protection, and enforcement of their trademarks. All of INTA's members share the goal of promoting an understanding of the essential role that trademarks play in fostering informed decisions by consumers, effective commerce, and fair competition.

INTA members are frequent participants in trademark opposition and cancellation proceedings and in court litigation as both plaintiffs and defendants, and therefore are interested in the development of clear, consistent, and equitable principles of trademark and unfair competition law. INTA has substantial expertise and has participated as *amicus curiae* in numerous cases involving

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<sup>1</sup> Both parties are members of INTA, and both the law firm representing Petitioner and one of the law firms representing Respondent, Banner & Witcoff, Ltd., are associate members of INTA. Attorneys associated with the parties and their law firms have not participated in the preparation or submission of this *amicus curiae* brief. This brief was authored solely by INTA and its counsel.

significant trademark issues, including in this Court.<sup>2</sup>

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<sup>2</sup> Cases in which INTA has filed amicus briefs include: *KP Permanent Makeup, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 211 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *Christian Louboutin S.A. v. Yves Saint Laurent America*, No. 11-3303-cv, 2012 WL 3832285 (2d Cir. Sept. 5, 2012); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012); *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958 (9th Cir. 2011); *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158 (9th Cir. 2011); *Chloe v. Queen Bee of Beverly Hills, LLC*, 616 F.3d 158 (2d Cir. 2010); *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009); *ITC. Ltd v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007), *certified questions accepted*, 870 N.E.2d 151 (N.Y.), *cert denied*, 128 S. Ct. 288, *certified questions answered*, 880 N.E.2d 852 (N.Y. 2007), *later proceedings*, 518 F.3d 159 (2d Cir. 2008); *Louis Vuitton Malletier, S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007); *Test Masters Educ. Servs. v. Singh*, 428 F.3d 559 (5th Cir. 2005); *WarnerVision Entm't Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259 (2d Cir. 1996); *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996); *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994); *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801 (Fed. Cir. 1984); *Anti-Monopoly, Inc. v. Gen. Mills Fun Group*, 684 F.2d 1316 (9th Cir. 1982), *cert. denied*, 459 U.S. 1227 (1983); *In re Borden, Inc.*, 92 F.T.C. 669 (1978), *aff'd sub nom. Borden, Inc. v. Fed. Trade Comm'n*, 674 F.2d 498

INTA (formerly known as the United States Trademark Association) was founded in part to encourage the enactment of federal trademark legislation after the invalidation on constitutional grounds of the United States' first trademark act. Since then, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with almost all major trademark legislation.

INTA and its members have a particular interest in this case because Petitioner's position threatens to weaken the incentives that foster compromise and settlement of trademark disputes. In addition, INTA and its members oppose any actions that would undermine the T.T.A.B.'s role as principal arbiter in the first instance of disputes over the registration of trademarks, since maintaining the T.T.A.B.'s role will help ensure the consistent development and application of trademark law and the efficient resolution of disputes over trademark registrations.

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(6th Cir. 1982), *vacated and remanded*, 461 U.S. 940 (1983); *Redd v. Shell Oil Co.*, 524 F.2d 1054 (10th Cir. 1975), *cert. denied*, 425 U.S. 912 (1976); *Century 21 Real Estate Corp. v. Nev. Real Estate Advisory Comm'n*, 448 F. Supp. 1237 (D. Nev. 1978), *aff'd*, 440 U.S. 941 (1979).

## INTRODUCTION AND SUMMARY OF ARGUMENT

The International Trademark Association (“INTA”) submits this brief as *amicus curiae* to explain why trademark law and public policy mandate affirmance of the lower courts’ dismissal of Petitioner’s action seeking to cancel Respondent’s trademark registration. Both parties have consented to this filing.<sup>3</sup>

Trademark cancellation actions may only be heard in federal court when a live case or controversy exists concerning an alleged violation of trademark rights. Absent such a case or controversy, there is no Article III jurisdiction for a federal court to cancel a trademark registration. Rather, Congress has mandated that such actions are the exclusive province of Trademark Trial and Appeals Board (the “T.T.A.B.”) of the United States Patent and Trademark Office (the “USPTO”).

Respondent in this case delivered a covenant not to sue that the Second Circuit held to be so broad that it “render[ed] the threat of litigation remote or nonexistent.” *Nike, Inc. v. Already, LLC*, 663 F.3d 89, 97 (2d Cir. 2011). If Petitioner still wishes to seek cancellation of Respondent’s trademark registration, it may do so before the T.T.A.B., which provides the more appropriate expert forum in which to pursue that remedy. If Petitioner’s cancellation

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<sup>3</sup> Consent letters from both parties are being filed with the Clerk contemporaneously with this brief.

counterclaim were instead allowed to proceed to trial in federal court, prior to review by the T.T.A.B., it would undermine the T.T.A.B.'s role as the principal arbiter of trademark registration disputes, make early resolution of trademark infringement cases more difficult by discouraging use of covenants not to sue, and increase the burden on the federal courts of hearing such cases.

INTA members are frequent litigants in court and before the T.T.A.B. in cases involving the validity and enforcement of trademark rights. As such, INTA and its members have a strong interest in ensuring that trademark law and procedure encourages the fair, prompt, consistent and efficient resolution of trademark disputes. INTA submits that absent any threat of suit for trademark violations, trademark validity and registration issues are more appropriately determined by the T.T.A.B. because it is the administrative tribunal Congress created expressly for that purpose.

Although INTA does not believe that there is any actual conflict among the Circuits as to the question presented in this case, it acknowledges the existence of some ambiguity in light of *dicta* from the Ninth Circuit. To ensure uniformity across the Circuits regarding the standards for Article III jurisdiction in trademark matters, and to promote the efficient resolution of trademark disputes, INTA respectfully requests that the Court rule on the merits of this dispute and hold that the subject matter jurisdiction that permitted Petitioner to plead a declaratory judgment claim for trademark invalidity and a counterclaim for cancellation was

extinguished upon the delivery of Respondent's unambiguous, unconditional covenant not to sue.

## ARGUMENT

### I. RESPONDENT'S COVENANT NOT TO SUE WAS SUFFICIENT TO DIVEST THE DISTRICT COURT OF ARTICLE III JURISDICTION.

INTA views Petitioner's appeal as requiring analysis of two intertwined questions: (1) whether Respondent's broad covenant not to sue Petitioner divested the federal district court of Article III jurisdiction over Petitioner's declaratory judgment counterclaims for non-infringement and invalidity of Respondent's trademark; and (2) if so, whether the federal district court may nonetheless still retain Article III jurisdiction based on Petitioner's counterclaim for cancellation of Respondent's trademark registration under the Lanham Act.

The Circuits are aligned on the first question: Once the threat of an infringement claim is removed, there remains no basis for seeking a declaration of non-infringement. *Nike*, 663 F.3d at 97-98; *Bancroft & Masters, Inc. v. Augusta Nat'l, Inc.*, 223 F.3d 1082, 1085 (9th Cir. 2000). With respect to the second question, despite *dicta* in *Bancroft & Masters* suggesting that a counterclaim for cancellation under Section 37 of the Lanham Act (15 U.S.C. § 1119) might provide an independent basis for Article III jurisdiction, every appellate court that has squarely considered that question has agreed with the Second Circuit's decision in *Nike* rejecting jurisdiction.

A. Although *MedImmune, Inc. v. Genentech* Sets Forth a Broad Standard for Subject Matter Jurisdiction in Declaratory Judgment Actions, There Remain Important Limitations on Such Jurisdiction Under Article III.

In *MedImmune, Inc. v. Genentech, Inc.*, this Court held that a claim for patent invalidity brought by a patent licensee satisfied Article III's "case or controversy" requirement because there was a "genuine threat of enforcement" even if the potential defendant could avoid allegedly infringing behavior by paying license royalties. 549 U.S. 118, 120-21, 129 (2007). The Court held that a licensee should not be required to violate a license agreement before bringing a claim against the licensor that the underlying patent rights were invalid. *Id.* at 137. Instead, the licensee could seek declaratory judgment relief precisely because the payment of royalties under protest did not eliminate the controversy. *Id.* at 135-37.<sup>4</sup>

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<sup>4</sup> Although *MedImmune* was a patent case, its analysis of Article III's "case or controversy" requirement has broad application in all contexts, and has already been applied to trademark cases by various federal courts. See, e.g., *Vantage Trailers, Inc. v. Beall Corp.*, 567 F.3d 745, 748-749 (5th Cir. 2009); *Surefoot LC v. Sure Foot Corp.*, 531 F.3d 1236, 1238 (10th Cir. 2008). Although INTA believes that the rule announced in *MedImmune* should be applied in trademark matters as well, INTA does not suggest that patents and trademarks should always be treated alike. See, e.g., generally David H. Bernstein and Andrew

*MedImmune* has been credited with liberalizing declaratory judgment jurisdiction and providing putative defendants with a fair opportunity to obtain access to the courts in order to ensure that lawful conduct is not chilled by the threat of litigation held in reserve. Michael Weinstein, Comment, *The Fate of the Federal Circuit's "Reasonable Apprehension" Standard in Patent Suits for Declaratory Judgment Following MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007), 76 U. Cin. L. Rev. 681, 700-06 (2007-2008). But even this expansive jurisdiction for declaratory judgment actions has limitations.

This case provides the Court with an ideal opportunity to clarify the limits of such jurisdiction. Specifically, when, as is the case here, there is no case or controversy because the putative plaintiff has made it crystal clear that it will not pursue any claim against the putative defendant, there is no longer (1) any basis (from a constitutional perspective) for such jurisdiction, and (2) any need (from a policy perspective) for a federal court to maintain jurisdiction.

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Gilden, *No Trolls Barred: Trademark Injunctions after eBay*, 99 TMR 1037 (2009) (arguing that, despite this Court's prohibition on categorical presumptions for injunctive relief in patent cases in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), such presumptions in trademark cases—which have been historically applied and expressly adopted by every Circuit Court of Appeals but one—are appropriate and necessary because trademark law, a consumer protection law at heart, does not present the same policy concerns over trolls as patents and copyrights).

**B. Respondent's Covenant Not to Sue Was Unconditional.**

Respondent's covenant not to sue obligated it to refrain from making any claim(s) or demand(s), or from commencing, causing, or permitting to be prosecuted any action in law or equity, against [Petitioner] or any of its [successors or related entities and their customers], on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law in the United S[t]ates relating to the NIKE Mark based on the appearance of any of [Petitioner]'s current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant.

*Nike*, 663 F.3d at 92 (quoting covenant). The Second Circuit correctly affirmed the District Court's conclusion that the covenant was very broad, noting that Respondent had "unconditionally" and permanently renounced its right" to bring a claim based on any shoe design currently or previously made by Petitioner, as well as "all colorable imitations" by Petitioner of its current or previous designs. *Id.* at 97.

Petitioner's suggestion that the covenant is insufficiently broad because it does not bar Respondent from bringing future claims based on novel designs that are not "colorable imitations," Pet. Br. 24, is beside the point. Speculation about possible future designs is irrelevant under Article III's case-or-controversy requirement. *See Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-41 (1937) ("A justiciable controversy is thus distinguished from a difference or dispute of a hypothetical or abstract character . . . . The controversy must be definite or concrete, touching the legal relationship of parties having adverse legal interests."); *United Public Workers of America (C.I.O.) v. Mitchell*, 330 U.S. 75, 89-90 (1947) ("The power of courts, and ultimately of this Court to pass upon the constitutionality of acts of Congress arises only when the interests of litigants require the use of this judicial authority for their protection against actual interference. A hypothetical threat is not enough."); *In re Coleman*, 560 F.3d 1000, 1005 (9th Cir. 2009) ("Where a dispute hangs on 'future contingencies that may or may not occur', it may be too 'impermissibly speculative' to present a justiciable controversy.") (citations omitted); *Wilson v. Collins*, 517 F.3d 421, 430 (6th Cir. 2008) ("The hypothetical possibility of some future abuse does not substantiate a justiciable controversy.") Petitioner did not submit any evidence that it had plans to create any novel designs that would fall outside of the broad covenant not to sue. *Nike*, 663 F.3d at 97. This hypothetical situation is therefore insufficient to sustain Article III jurisdiction.

C. The Circuits Are Aligned That An Unconditional Covenant Not To Sue Removes Article III Jurisdiction.

The Second Circuit's decision below and the Ninth Circuit's opinion in *Bancroft & Masters* are aligned in at least one respect: Both Circuits recognized that a plaintiff's unconditional relinquishment of its right to sue the alleged trademark infringer divests a federal district court of Article III jurisdiction over the alleged infringer's declaratory judgment counterclaim. *Bancroft & Masters*, 223 F.3d at 1085; *Nike*, 663 F.3d at 97-98.

*Bancroft & Masters*, however, did not involve an unconditional relinquishment. Rather, the Ninth Circuit held that the plaintiff's offer in that case was *conditional* and, as such, it did *not* divest the district court of Article III jurisdiction because the potential for litigation between the parties remained. 223 F.3d at 1085. That decision is neither controversial nor surprising. It is consistent with *MedImmune* and with the Second Circuit's decision below.

In contrast, the covenant not to sue that Respondent issued in this case was extremely broad and was found to be *unconditional* by the District Court. Relying on that finding, the Second Circuit properly applied *MedImmune* and dismissed Petitioner's claims. In that respect, *Nike* and *Bancroft & Masters* represent two sides of the same coin – when the covenant not to sue is unconditional and broad, dismissal is required; where the covenant is conditional or leaves some lingering “genuine

threat of enforcement," the court retains Article III jurisdiction.<sup>5</sup>

**D. A Broad Covenant Not to Sue Satisfies the Voluntary Cessation Standard Urged by Petitioner and by the United States.**

Both Petitioner and the United States argue that the Second Circuit erred by not applying the voluntary cessation doctrine. Pet. Br. 24-25; Brief for the United States as Amicus Curiae Supporting Vacatur and Remand 17ff. That argument is based on this Court's decision in *Friends of the Earth, Inc. v. Laidlaw Env'tl. Services (TOC), Inc.* that "a defendant claiming that its voluntary compliance moots a case bears the formidable burden of showing that it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur." 528 U.S. 167, 190 (2000). Although Petitioner and the United States accurately quote from the *Friends*

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<sup>5</sup> In the patent context, the Federal Circuit has issued opinions reflecting the same two sides of the coin. Compare *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1060 (Fed. Cir. 1995) (finding no Article III jurisdiction over declaratory judgment claims based on patent holder's unconditional agreement not to sue the defendant for past or future sales of the products then and previously manufactured and sold by the defendant) with *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1300 (Fed. Cir. 2009) (finding Article III jurisdiction over declaratory judgment claims in a patent infringement action where patent holder issued a conditional covenant not to sue for past infringement while leaving open the possibility of suit for future infringement).

of the *Earth* decision, they overstate Respondent's burden because they fail to acknowledge the very different context of the instant case.

In a tort case like *Friends of the Earth*, the burden carried by a defendant to show that its wrongful behavior will not recur may indeed be "formidable" – it can be difficult to trust assurances that tortious conduct will not reoccur in the future. That is not the case in the context of a declaratory judgment action predicated on a threatened trademark infringement claim since an unconditional binding commitment not to enforce the claim is easily enforced by the court and thus conclusively removes any risk of enforcement against the declaratory judgment plaintiff.

Here, Respondent delivered such a broad, binding commitment. The Second Circuit held that Respondent's covenant not to sue rendered the threat of future enforcement "remote or nonexistent." *Nike*, 663 F.3d at 97. Respondent could not do anything more (other than promising not to sue Petitioner under any circumstances whatsoever, which would be an unreasonable standard to require).

Petitioner argues that Respondent's covenant is not sufficient because Respondent may still enforce its trademark rights against other alleged infringers. Pet. Br. 26. The possibility of enforcement against *third parties*, though, cannot serve as a basis for *Petitioner's* declaratory judgment claim. This Court's declaratory judgment jurisprudence has long required "a substantial controversy, *between parties having adverse legal*

*interests*, of sufficient immediacy and reality to warrant the issue of a declaratory judgment.” *MedImmune*, 549 U.S. at 127 (quoting *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)) (emphasis added); see also *Creative Compounds, LLC v. Starmark Labs.*, 651 F.3d 1303, 1316 (Fed. Cir. 2011) (finding no declaratory judgment jurisdiction where plaintiff’s claims were based on threat of enforcement against its third party customers).

Petitioner also argues that it has an economic interest in making other shoes (different from the shoes challenged by Respondent in this case) that may yet trigger enforcement by Respondent if they are outside of the broad covenant. Pet. Br. 26. Petitioner, though, did not make any such business plans known to the lower courts and thus its expressed concern is entirely speculative. To the contrary, as the Second Circuit noted, Petitioner failed to submit *any* evidence that it had any intention of producing any shoe that would fall outside of Respondent’s broad covenant not to sue. *Nike*, 663 F.3d at 97.<sup>6</sup> Under those circumstances,

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<sup>6</sup> In *Cardinal Chem. Co. v. Morton Int’l, Inc.*, this Court stated that “there is no reason why a successful litigant should have any duty to disclose its future plans to justify retention of the value of the judgment that it has obtained,” 508 U.S. 83, 100 (1993). In the present case, Petitioner has not obtained any judgment. Accordingly, the District Court below was not required to accept on faith that Petitioner was likely to produce a new product vulnerable to enforcement and not covered by Respondent’s covenant.

there can be no legal cause of action, and “[w]ithout an underlying legal cause of action, any adverse economic interest that the declaratory plaintiff may have against the declaratory judgment defendant is not a legally cognizable interest sufficient to confer declaratory judgment jurisdiction.” *Microchip Technology Inc. v. Chamberlain Group*, 441 F.3d 936, 943 (Fed. Cir. 2006).

**II. PETITIONER’S CANCELLATION COUNTERCLAIM CANNOT PROVIDE AN INDEPENDENT BASIS FOR JURISDICTION.**

**A. Section 37 of the Lanham Act Does Not Provide a Basis for Jurisdiction Over an Independent Cancellation Claim.**

Petitioner’s cancellation counterclaim is based on Section 37 of the Lanham Act (15 U.S.C. § 1119), which states in part:

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.

The statute expressly limits the cancellation of a registration by a court to an “action involving a registered mark.” Where there is no such action, Section 37 does not provide a jurisdictional basis for an independent cancellation claim. *See infra* Section II(B). In the present case, the “action involving a

registered mark” ceased when Respondent’s covenant mooted both Respondent’s infringement claims and Petitioner’s declaratory judgment claim for non-infringement. With the demise of the “action involving [Respondent’s] registered mark,” the District Court below was divested of its statutory power to order cancellation.

**B. Every Court Of Appeals That Has Squarely Confronted The Issue Has Held That Section 37 Does Not Provide An Independent Basis For Article III Jurisdiction.**

Petitioner asserts that there is a clear “circuit split” over whether Article III jurisdiction can be exercised over a counterclaim for cancellation of a trademark registration where no other related justiciable controversy exists between the parties. INTA disagrees; there is no such split because the Ninth Circuit’s statement in *Bancroft & Masters*, on which Petitioner relies, was *dicta*. In particular, the Ninth Circuit’s *dicta* that a cancellation action is authorized under Section 37 of the Lanham Act even if a plaintiff’s offer to dismiss is unconditional was not a holding of that court because the offer to dismiss in that case was *not* unconditional. *Bancroft & Masters*, 223 F.3d at 1085.<sup>7</sup>

Nevertheless, to remove any question about whether a cancellation action can proceed in a

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<sup>7</sup> “It is to the holdings of our cases, rather than their *dicta*, that we must attend. . . .” *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 379 (1994).

federal court under such circumstances, it is appropriate for this Court to clarify that the Ninth Circuit's *dicta* was wrong. As the Second Circuit's decision below noted (as well as decisions from the Third and Federal Circuits), a counterclaim for cancellation of a trademark registration may not stand alone; rather, it must be predicated upon an actual dispute between the parties that is properly subject to Article III jurisdiction. *Nike*, 663 F.3d at 97; *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 873-74 (3d Cir. 1992); *Windsurfing Int'l, Inc. v. AMF Inc.*, 828 F.2d 755, 758-59 (Fed. Cir. 1987). In so holding, each of these courts relied on the express language of Section 37 which limits federal court jurisdiction to cancel trademark registrations only to "any **action** involving a registered mark" (emphasis added). Those courts thus properly concluded that "a controversy as to the validity of or interference with a registered mark must exist before a district court has jurisdiction to grant the cancellation remedy." *Ditri*, 954 F.2d at 873. A number of district courts have drawn similar conclusions. *E.g.*, *Sunshine Kids Juvenile Prods., LLC v. Indiana Mills & Mfg., Inc.*, No. C10-5698BHS, 2011 WL 862038, at \*4 (W.D. Wash. Mar. 9, 2011); *Global DNS, LLC v. Kook's Custom Header, Inc.*, No. C08-0268RSL, 2008 WL 4380439, at \*4 (W.D. Wash. Sept. 22, 2008); *Schloss v. Sweeney*, 515 F. Supp. 2d 1068, 1078 (N.D. Cal. 2007); *Nike, Inc. v. Adidas Am., Inc.*, No. 05-CV-541-BR, 2006 WL 3716754, at \*5-6 (D. Or. Dec. 14, 2006); *CIBER Inc. v. CIBER Consulting, Inc.*, 326 F. Supp. 2d 886, 892 (N.D. Ill. 2004); *Manganaro Foods, Inc. v. Manganaro's Hero-Boy, Inc.*, No. 01-Civ.-0849-JGK,

2002 WL 1560789, at \*10 (S.D.N.Y. July 15, 2002); *Thomas & Betts Corp. v. Panduit Corp.*, 48 F. Supp. 2d 1088, 1093 (N.D. Ill. 1999); *Universal Sewing Machine Co. v. Standard Sewing Equip. Corp.*, 185 F. Supp. 257, 259 (S.D.N.Y. 1960).

All of these decisions are consistent with *MedImmune*. Because Respondent's covenant not to sue eliminated any possibility of litigation between the parties concerning Petitioner's shoes that had been the subject of Respondent's complaint (and any future colorable imitations), there no longer was any "genuine threat of enforcement" that could support continued jurisdiction over Petitioner's declaratory judgment or dependent cancellation claims. This decision does not unfairly block consideration of whether Respondent's trademark registration is valid since Petitioner, or any other party with standing, could pursue such a claim in the T.T.A.B., the forum Congress specifically created to address such questions.

### III. THE T.T.A.B. PROVIDES A MORE APPROPRIATE FORUM FOR RESOLUTION OF CANCELLATION CLAIMS.

Congress established the T.T.A.B. by amendment of the Lanham Act in 1958. The Senate Report on the bill to amend the Lanham Act makes clear how Congress intended disputes over trademark registration to proceed:

[The Lanham Act] provides for appeals to the Commissioner in trademark cases from two sources: appeals from refusals of the Examiner of Trademarks

to register a trademark and appeals from the decisions of the Examiner of Trademark Interferences made when one or more parties contest another's right to registration, the latter being more numerous and also more time consuming . . . It is proposed in the bill that the appeal to the Commissioner in contested trademark cases be abolished and that *the initial and only decision will be made by a panel of three members of a board* instead of by a single individual as at present . . . . [T]he decision of the panel of three would be the final decision of the Patent Office in the case, and *the parties would have their right of appeal to the court from that decision* . . . .

S. REP. NO. 85-1960, at 3332 (1958) (emphasis added). Thus, Congress clearly envisioned the T.T.A.B. to be the most appropriate forum for resolution of cancellation actions in the first instance.

**A. Petitioner Would Have Standing to Bring a Cancellation Action Before the T.T.A.B.**

A petition before the T.T.A.B. to cancel a trademark registration can be filed "by any person who believes that he is or will be damaged . . . by the registration of a mark." 15 U.S.C. § 1064. Even after Petitioner loses standing to pursue cancellation in court, Petitioner would still have standing to bring a cancellation proceeding before the T.T.A.B.

because it would be able to “demonstrate a real interest in the proceeding.” *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1028 (C.C.P.A. 1982) (quoting *Universal Oil Prods. Co. v. Rexall Drug & Chem. Co.*, 463 F.2d 1122, 1124 (C.C.P.A. 1972)). The bar that must be hurdled to demonstrate standing before the T.T.A.B. is significantly lower than the bar set by this Court’s *MedImmune* decision for bringing a declaratory judgment claim in court. Indeed, the district court concluded in this case that the T.T.A.B. was the “proper venue” for the Petitioner’s cancellation action. Pet. App. 37a n.3.

A cancellation petitioner before the T.T.A.B. need be under no threat of enforcement, genuine or otherwise. “[T]o establish standing to petition to cancel, the petitioner need only be something more than a gratuitous interloper or a vicarious enforcer of someone else’s rights.” 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 20:46 (4<sup>th</sup> ed. 2012) [hereinafter McCarthy]. For example, a petitioner may establish standing by asserting “a likelihood of confusion [with its own mark] which is not wholly without merit.” *Lipton*, 670 F.2d at 1029. The T.T.A.B. has also found standing when a registrant had previously brought an action against the cancellation petitioner, even if the registrant thereafter withdrew the action. *Syntex (U.S.A.) Inc. v. E.R. Squibb & Sons Inc.*, 14 U.S.P.Q.2d 1879, 1880 (T.T.A.B. March 22, 1990). Petitioner in the present case could almost certainly establish standing on either of these grounds given the facts of this case. Like the party seeking cancellation in *Syntex*, Petitioner claims that

Respondent's "mark clouds applicant's legal title to its mark." *Id.* Aside from the various ways in which Petitioner argues its economic interest is damaged by Respondent's continued registration of its mark (including its interest in marketing other shoe designs similar to Petitioner's registered mark, see Pet. Br. 26), the registration may prevent Petitioner from registering its own marks. Respondent's covenant not to sue protects Petitioner from suit over its current shoe designs and colorable imitations thereof, but it does not insure that Petitioner's future business interests will not be harmed by Respondent's registration. Petitioner is thus entitled to make its cancellation arguments before the T.T.A.B., even though its real interests are not sufficient to establish a case or controversy under Article III.

**B. The T.T.A.B. Has Extensive Expertise in Addressing Cancellation Petitions.**

INTA and its members have extensive familiarity with the USPTO and the T.T.A.B. INTA has been involved in drafting and supporting legislation that governs these administrative institutions, including the Lanham Act in 1946 and the Trademark Law Revision Act of 1988. INTA has also provided comments on regulations promulgated by the USPTO, including 37 C.F.R. §§ 2.173(b)(3) and (4), 2.34(a)(1)(iv), 2.56(a), 2.61(b) (g) and (h), 2.76(b)(2), 2.86(a)(3), 2.86(b), 2.88(b)(2), and 7.37(g) and (h). INTA members practice before the USPTO and the T.T.A.B. on a daily basis.

The T.T.A.B. was expressly created by Congress to be the primary administrative tribunal

for adjudicating *inter partes* proceedings pertaining to issues involving trademark registrations, such as oppositions, cancellations, interferences, and concurrent use proceedings. 15 U.S.C. §§ 1067, 1064(3). In contrast, the jurisdiction given to federal courts under Section 37 is merely remedial and supplementary, designed to ensure that in the event of an action claiming violation of trademark rights, all issues relating to that dispute (including cancellation of the underlying mark) can be considered in a single forum. “Although a petition to the Patent and Trademark Office is the primary means of securing a cancellation, the district court has concurrent power to order cancellation as well for the obvious reason that an entire controversy may thus be expediently resolved in one forum.” *Ditri*, 954 F.2d at 873 (emphasis added); *accord*, *Thomas & Betts Corp.*, 48 F. Supp. 2d at 1093; *Manganaro Foods, Inc.*, 2002 WL 1560789, at \*10.

Over the years the T.T.A.B. has issued thousands of decisions in trademark cancellation proceedings, creating a consistent body of law that provides substantial guidance to trademark owners and potential challengers. In 2011 and 2010 alone, the T.T.A.B. issued over 1,200 decisions, 900 of which were final decisions on the merits. See TTAB New Filings and Performance Measures, United States Patent and Trademark Office (2012), available at [http://www.uspto.gov/trademarks/process/appeal/TTAB\\_New\\_Filings\\_and\\_Performance\\_](http://www.uspto.gov/trademarks/process/appeal/TTAB_New_Filings_and_Performance_)

Measures.jsp.<sup>8</sup> The T.T.A.B.'s extensive and focused experience with trademark proceedings provides it with specialized and developed expertise in the area of trademark registration law, and specifically, trademark cancellation proceedings.

Continued adjudication of most cancellation actions by the T.T.A.B. should be favored not only to encourage the continued consistent development of trademark law, but also because INTA members have found T.T.A.B. proceedings to be generally less expensive and more efficient than federal court litigation. In addition to providing flexible scheduling, an available accelerated case resolution (ACR) procedure,<sup>9</sup> and less of a need to educate judges about an area of the law with which they may not be completely familiar, T.T.A.B. proceedings

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<sup>8</sup> Federal courts commonly take judicial notice of information on government websites. "Public records and government documents are generally considered not to be subject to reasonable dispute. . . . This includes public records and government documents available from reliable sources on the Internet." *United States ex rel. Dingle v. BioPort Corp.*, 270 F. Supp. 2d 968, 972 (W.D. Mich. 2003) (citation omitted); see also *Kitty Hawk Aircargo, Inc. v. Chao*, 418 F.3d 453, 457 (5th Cir. 2005) (judicial notice of National Mediation Board approval published on agency's website); *Coleman v. Dretke*, 409 F.3d 665, 667 (5th Cir. 2005) (per curiam) (judicial notice of state government website); *Denius v. Dunlap*, 330 F.3d 919, 926-27 (7th Cir. 2003) (judicial notice of information on government website); *In re Wellbutrin SR/Zyban Antitrust Litig.*, 281 F. Supp. 2d 751, 754 n.2 (E.D. Pa. 2003) (judicial notice of FDA list of approved drugs).

<sup>9</sup> Trademark Trial and Appeal Board Manual of Procedure (TBMP) §§ 702.04(a)-(e).

involve “less evidence to present and no requirement for a live appearance or a jury, [and] . . . the expert nature of the decision maker and the fact that only the issue of the registration of one or more trademarks is being decided further keep costs down in contrast to court litigation.” Elizabeth C. Buckingham, *TTAB or Federal Court: Where to Litigate a U.S. Trademark Dispute? Part One: Board Proceedings*, 67 INTA Bulletin, No. 3 (Feb. 1, 2012).

In sum, although it is appropriate and efficient for federal district courts to rule on cancellation actions when the court already is addressing an issue of trademark infringement or dilution, in the absence of any actual or threatened trademark claim, the T.T.A.B. is the most appropriate forum for a party, such as Petitioner, to pursue cancellation of a trademark registration.

**C. Ruling that the Federal District Court Does Not Retain Jurisdiction Comports with the Doctrine of Exhaustion of Administrative Remedies.**

Although the T.T.A.B. does not have exclusive jurisdiction over trademark cancellation actions, divesting a federal district court of jurisdiction over such actions once all other claims relating to the trademark have been mooted would align with the well-established doctrine of exhaustion of administrative remedies and comport with Congress’s intent for the T.T.A.B. to be the tribunal of first impression for trademark cancellation proceedings. Such a ruling would serve the objectives of judicial efficiency and of unburdening the federal district courts of having to preside over

trademark cancellation claims in the absence of any threat of future litigation between the parties.

The exhaustion doctrine provides "that no one is entitled to judicial relief for a supposed or threatened injury until the prescribed administrative remedy has been exhausted." *Myers v. Bethlehem Shipbuilding Corp.*, 303 U.S. 41, 50-51 (1938). As articulated by this Court, the arguments supporting the rule that federal courts should avoid usurping an administrative agency's statutorily granted power to adjudicate certain matters include:

1. Avoiding premature interruption of the administrative process;
2. Allowing the agency to develop the necessary factual background on which to base its decisions;
3. Giving the agency the first chance to use its discretion or apply its expertise;
4. It is more efficient for the administrative process to go forward without interruption than it is to permit parties to seek aid from the court at various intermediate stages; and
5. The function of the agency and the particular decision sought to be reviewed involve exercise of

discretionary powers granted to the agency by Congress.

*McKart v. United States*, 395 U.S. 185, 193-194 (1969).

In *McKart*, this Court noted that these listed reasons are "particularly pertinent where the function of the agency and the particular decision sought to be reviewed involve exercise of discretionary powers granted the agency by Congress, or require application of special expertise . . . [because] frequent and deliberate flouting of administrative processes could weaken the effectiveness of an agency by encouraging people to ignore its procedures." *Id.* at 194-195. Furthermore, the Court has ruled that the declaratory judgment procedure should not serve "to preempt and prejudice issues that are committed for initial decision to an administrative body or special tribunal . . . [and that] [r]esponsibility for effective functioning of the administrative process cannot be thus transferred from the bodies in which Congress has placed it to the courts." *Public Service Comm'n of Utah v. Wycoff Co.*, 73 S. Ct. 236, 241-42 (1952).

Here, Petitioner's request to maintain its cancellation counterclaim before the District Court would undermine the doctrine of exhaustion of administrative remedies and would burden the District Court with having to resolve a trademark cancellation claim even though Respondent's broad covenant not to sue has rendered Petitioner immune from suit. The cancellation claim should not (and cannot) itself serve as a case or controversy between

the parties. Such a claim merely seeks an administrative remedy to address whether a trademark registration should or should not be removed from the register of trademarks. Absent some other ongoing dispute or threat of enforcement between the parties, there is simply no need, basis, or reason for a federal district court to retain jurisdiction over Petitioner's trademark cancellation counterclaim when the T.T.A.B. is at least as well equipped to make, and indeed more accustomed to making, such determinations.

INTA's position echoes the position articulated in a leading treatise on trademark law, which agrees with this Court's reasoning in *McKart* and *Wycoff*:

One who has an opportunity to challenge a federal trademark registration should not be allowed to short-cut the administrative process by raising that challenge in the federal courts by way of declaratory judgment. If that is the sole basis of a claim for declaratory judgment, the court should dismiss the case and relegate the party to the administrative process and ultimate appeal to the federal courts by the procedure Congress has established.

6 McCarthy § 32:55.

Since the T.T.A.B.'s sole function is to adjudicate matters pertaining to trademark registrations, *e.g.*, cancellation proceedings, this case presents the very situation in which *McKart* directs

federal district courts to defer to administrative agencies like the T.T.A.B. Doing so in the case at bar avoids encouraging parties to side-step the T.T.A.B.'s procedures, comports with the exhaustion doctrine that supports placement of Petitioner's claim before the administrative body with the most expertise to adjudicate Petitioner's cancellation claim, and satisfies the objectives of judicial efficiency and economy.

#### IV. THE SECOND CIRCUIT'S DECISION BELOW LESSENS THE BURDEN ON THE FEDERAL COURT SYSTEM WITHOUT PREJUDICING PETITIONER.

The Second Circuit's decision below also promotes the important public policy "favoring the amicable resolution of trademark disputes without resort to the courts." *MWS Wire Indus., Inc. v. Calif. Fine Wire Co.*, 797 F.2d 799, 803 (9th Cir. 1986). Covenants not to sue should be encouraged by the court system "because they promote the amicable resolution of disputes and lighten the increasing load of litigation faced by courts." *D.R. v. E. Brunswick Bd. of Educ.*, 109 F.3d 896, 901 (3d Cir. 1997); see, e.g., *Jeff D. v. Andrus*, 899 F.2d 753, 759 (9th Cir. 1990).

Reversal of the Second Circuit's decision would tend to discourage the use of covenants not to sue because parties would know that the covenant would not succeed in ending the litigation. If covenants not to sue are thus discouraged, it would have the inevitable effect of prolonging trademark infringement actions, which would increase the burden on an already strained federal court system. Such a result would also create a perverse incentive

of encouraging declaratory judgment plaintiffs to bring weak cancellation claims in order to get added leverage in settlement negotiations. And, all of this would have to be worked out in the federal courts, rather than before the T.T.A.B., the latter of which has been tasked by Congress as the principal arbiter of cancellation actions in the first instance.

Against these compelling policy reasons to affirm the Second Circuit's decision, Petitioner argues for reversal because, otherwise, it would allow the owner of an invalid trademark to bring an infringement action and then "unilaterally 'pull the plug' on the entire litigation while still maintaining the presumptively valid 'scarecrow' intellectual property right to assert anew ad infinitum." Pet. Br. 43 (citing *Cardinal Chem. Co.*, 508 U.S. at 96 ("the desire to avoid the threat of a 'scarecrow' patent . . . may therefore be sufficient to establish jurisdiction under the Declaratory Judgment Act"))).

Even if such speculative concerns were valid in some circumstances, there is no such threat on the facts of this case. Respondent's covenant not to sue ensures that its '905 Registration can have no "scarecrow" effect with respect to Petitioner. Petitioner is fully immunized against further action based on its current activities or any future similar activities. Petitioner has no reason to fear a lawsuit from Respondent based on its '905 Registration, and thus is no longer in a position to act as a counterclaimant in a federal court with respect to the cancellation of that trademark registration.

Moreover, to the extent that the owner of an invalid trademark attempts to abuse the federal

courts by repeatedly asserting infringement claims based on such an invalid mark, an opposing party can seek other remedies besides a cancellation counterclaim, including:

- Asking the court to award attorney's fees under the Lanham Act, 15 U.S.C. § 1117(a)(3).
- Asking the court to issue sanctions under Federal Rule of Civil Procedure 11 where the owner of the mark has asserted a baseless trademark infringement claim.
- Asking the court to exercise its inherent equitable powers to award attorney's fees and costs where claims have been brought in bad faith.
- Bringing an action for traditional torts such as malicious prosecution, abuse of process, and unfair competition. *See* 6 McCarthy § 31:101.

In addition to these remedies, a trademark owner who grants a broad covenant not to sue after asserting a frivolous infringement claim runs the risk that other potential defendants would later use that covenant against it, i.e., argue that the trademark owner had abandoned its rights in—or failed to police—its trademark. Accordingly, there is ample protection for potential trademark infringement defendants that obviates the concern

that owners of invalid trademarks will pursue frivolous claims.

### CONCLUSION

INTA submits that, where the threat of trademark infringement claims no longer exists because a trademark owner has determined that its claims are no longer viable and has covenanted not to sue the defendant, the defendant's counterclaims for invalidity and trademark cancellation are no longer viable claims before the federal district court. If Petitioner wishes to pursue cancellation of Respondent's trademark, it should be required to use the well established and far more appropriate administrative process at the T.T.A.B. to resolve its cancellation concerns precisely as Congress intended.

Respectfully submitted,

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October 1, 2012

**AMICUS  
CURIAE  
BRIEF**

OCT 1 2012

OFFICE OF THE CLERK

IN THE

**Supreme Court of the United States**

ALREADY, LLC, D/B/A YUMS,

*Petitioner,*

*v.*

NIKE, INC.,

*Respondent.*

ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

**BRIEF OF *AMICI CURIAE* LEVI STRAUSS & CO.  
AND VOLKSWAGEN GROUP OF AMERICA, INC.  
IN SUPPORT OF RESPONDENT NIKE, INC.**

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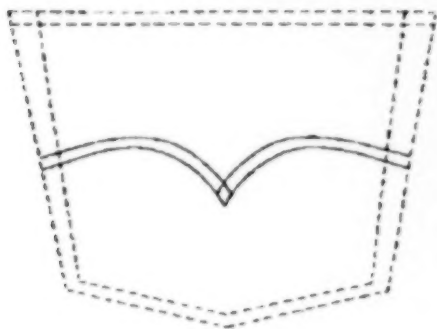
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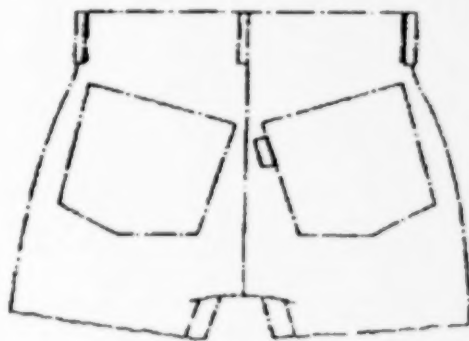
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## INTEREST OF THE AMICI CURIAE<sup>1</sup>

Levi Strauss & Co. has been in business since the 1850s, and has been selling denim jeans under the LEVI'S® brand since 1873. Since that time, LEVI'S® jeans have become among the most recognizable and imitated clothing in the world. Levi Strauss currently sells products under the LEVI'S®, DOCKERS®, dENiZEN®, and Signature by Levi Strauss & Co.™ brands in 110 countries around the world. Levi Strauss & Co. is the owner of over 100 United States trademark registrations, including for design marks such as its famous Arcuate Stitching Design and Tab trademarks, pictured below:



U.S. Reg. No. 1,139,254



U.S. Reg. No. 1,157,769

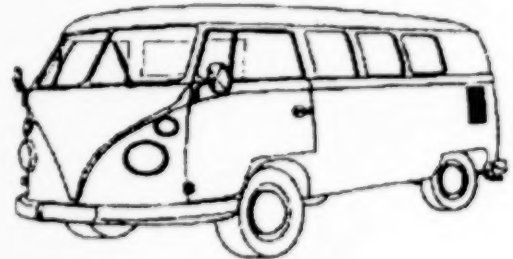
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1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amici*, or their counsel, made a monetary contribution intended to fund its preparation or submission. The Respondent has filed a blanket waiver with the Court consenting to the submission of all *amicus* briefs and the Petitioner's consent is submitted herewith.

Volkswagen Group of America, Inc. is the exclusive United States importer of Volkswagen, Audi, Bentley, Bugatti, and Lamborghini vehicles, through itself and its affiliated companies. Volkswagen Group has dealer locations in all 50 states; its product range extends from fuel-efficient small cars to luxury vehicles, and includes some of the most recognizable and famous auto designs in the world. The Volkswagen Group and its affiliated companies own approximately 370 United States trademark registrations, including for design marks such as the famous Volkswagen Beetle and Microbus silhouettes:



U.S. Reg. No. 3,043,073



U.S. Reg. No. 3,774,873

Levi Strauss & Co. and Volkswagen Group have an interest in this matter because as owners of large trademark portfolios, they are concerned that the standard for jurisdiction proposed by Appellant Already, LLC, d/b/a Yums would expose them and other brand owners to litigation of abstract and hypothetical disputes. Already's proposed jurisdictional rule would permit litigants with no personal stake in the outcome to preempt the opposition and cancellation procedures already in place at the United States Patent and Trademark Office to determine the validity of trademarks. Levi Strauss & Co. and Volkswagen Group believe this brief presents arguments and perspectives that will be of help to the Court in considering this matter.

## SUMMARY OF ARGUMENT

Already and its amici are asking this Court to eliminate any meaningful content to Article III's "case or controversy" requirement where intellectual property rights are concerned. They propose a broad rule that affords declaratory relief jurisdiction to any party who – acting with any motive – claims to vindicate the public interest in suppression of "invalid" trademarks. The Court should resist any standard for Article III jurisdiction that depends on assertion of this purported interest.

Already is particularly hard-pressed to claim any stake in the validity of Nike's trade dress mark. To counter the immunity it has received by virtue of Nike's covenant not to sue, Already claims "injury" from the mere existence of allegedly "invalid" trademark rights. It posits that such injury gives rise to a justiciable controversy because invalid trademark rights may inhibit its investment in competitive marks or shoe designs. Already's reasoning, to which the Public Patent Foundation and numerous law professors eagerly have attached, extends inevitably to "participants in the industry" or – yet more broadly – to the "public" generally. Under this Court's unwavering precedents, however, the federal courthouse doors are not flung open to adjudicate such hazy and illusory concepts of injury. This proceeding affords no reason for diverging from these principles.

Already ignores the real-world challenges for a trademark owner to create, register and maintain the kind of intellectual property that Nike relied on here. While there is no question (Already's more dubious counterclaims aside) that product configuration trade dress may support an enforceable trademark, it is no

easy task for a brand owner to acquire and develop such a trademark, and requires deliberation, investment and patience. Already's portrait of a "rubber stamp" process used to gain unwarranted competitive advantages bears no resemblance to reality. There are ample opportunities for public challenges to the development and registration of "invalid" trade dress marks.

The true risk is that, if Already's position were adopted, it would substantially inhibit the commercial incentives that are necessary to develop valuable trademarks and trade dress. After a trademark holder carefully markets and develops a trademark and successfully navigates the process for obtaining a registration, if the resulting registration serves as a ticket for any and all comers to bring expensive federal litigation challenging its validity, there will be powerful disincentives for brand owners to make the necessary investments. This concern will apply with far greater force to small and medium-sized competitors who likely will find it impossible to incur the expense necessary to validate their most valuable intellectual property.

In addition to the administrative processes that are available for challenge to invalid marks, there is no need to fear that courts will not have an opportunity to weigh in. Unless trademarks are enforced, they will have little marketplace effect at all. When they are enforced, they will be subject to invalidity challenges.

Already's argument also ignores the importance of a contemporaneous, purportedly infringing use (which reflects the ordinary personal stake of a genuine declaratory relief claimant) in providing context and

definition to a dispute about validity. If a potential challenger to a trademark is not making – or at least planning to make – use of competing marks or trade dress, the invalidity analysis becomes no more than an abstraction. It has long been the rule, explicitly reaffirmed in *MedImmune*, that a case or controversy must be capable of a judicial decision that resolves, in concrete terms, the parties' dispute. If the asserted jurisdiction-saving logic for permitting purported cases or controversies about trademark invalidity is to eliminate so-called "scarecrow" trademarks, then the outcome must be capable of addressing that concern. But, this will not be so with respect to Already's proposed invalidity challenges – such as the claim that Nike's registered and unregistered trade dress lacks secondary meaning. The court's judgment on that claim would have meaning only as to validity questions that bear on contemporaneous infringements. To permit challenges to marks where no potentially infringing use even is contemplated would force the federal courts into adjudication of phantom disputes whose outcome will have no real or lasting effect on the parties or the public at large.

## ARGUMENT

### **I. THE EXISTENCE OF AN ALLEGEDLY INVALID TRADEMARK DOES NOT CREATE A CASE OR CONTROVERSY**

Already is poorly situated to assert that it is party to any Article III "case" or "controversy" regarding the validity of Nike's trademark. The "immediacy" element<sup>2</sup>

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2. The immediacy of a dispute is a fixture of the U.S. Const. Article III "case or controversy" test. "Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties

and the injury requirement<sup>3</sup> for a case or controversy are both fatal to Already's claims. Already has revealed no current or future plans to produce products that may infringe Nike's trademarks. And, inconsistent with any personal stake in the outcome of the validity dispute, Already labors under the additional disadvantage of having been immunized from virtually all potential infringement claims by Nike's covenant not to sue.

Already tries to overcome these hurdles by constructing an argument that the mere presence of allegedly invalid trademarks causes harm. It asserts that "[Nike's] registered claim disadvantages petitioner, both procedurally and substantively, in efforts to attract investment and compete with respondent in the marketplace." Brief for Petitioner ("Pet. Br.") at 21. It admits that this reasoning extends to "compan[ies] engaged in the business of designing and marketing

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having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Golden v. Zwickler*, 394 U.S. 103, 108 (1969) (quoting *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). The Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), while it rejected the idea that "imminent" litigation or a "reasonable apprehension of suit" must be present for jurisdiction, said nothing to support any claim that jurisdiction exists to adjudicate cases where the harm is remote or contingent. There, the declaratory relief claimant was paying royalties only owed for valid patents and would have risked 80% of its business if it had stopped paying. *Id.* at 133.

3. Article III standing "requires that an injury be concrete, particularized, and actual or imminent; fairly traceable to the challenged action; and redressable by a favorable ruling." *Monsanto Co. v. Geertson Seed Farms*, 130 S. Ct. 2743, 2752 (2010).

athletic shoes.” *Id.* Already’s law-professor supporters readily adopt this logic and propose that “[t]he existence of a trademark or a patent in a particular field creates a present risk to the ongoing economic activities of participants in that field.” Brief of Intellectual Property Professors as Amicus Curiae in Support of Petitioner (“Law Prof. Br.”) at 3. Other amici extend this reasoning to the public at large: “[T]he government’s issuance of a patent or registration of a trademark also can restrain desirable public activity and, thus, the public deserves the right to challenge the validity of those government acts in court.” Brief of Public Patent Foundation as Amici Curiae in Support of Petitioner (“PubPat Br.”) at 11.

Already stands in an even worse position than the public at large to adopt such a purported injury as grounds for Article III jurisdiction. Unlike the public at large or other “industry participants,” Already has been substantially inoculated against enforcement of Nike’s trademarks.<sup>4</sup> If Already’s invalidity challenge establishes

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4. Already has asserted that its status as a “defendant” against Nike’s now defunct infringement claims affords it special opportunities to maintain this action. Thus, it starts with an argument that this case involves “post-commencement mootness.” Pet. Br. at 20 (quoting *Friends of the Earth, Inc. v. Laidlaw Environmental Services (TOC), Inc.*, 528 U.S. 167, 174 (2000)). Nike addresses this and Already’s related “voluntary cessation” arguments at length. Brief of Respondent (“Resp. Br.”) at 36-46. To the extent that the voluntary cessation doctrine applies to jurisdiction over declaratory relief actions at all – here to an action to “invalidate” Nike’s claims (supposedly to ensure that Nike cannot renew them) – this Court has held that a dismissal with prejudice is adequate to truly moot the plaintiff’s claims and thereby preclude jurisdiction over the declaratory relief claims. *Deakins v. Monaghan*, 484 U.S. 193, 200 n.4 (1988) (“The threat

a case or controversy, the traditional and well understood limits to federal court litigation will have been lifted for all.

This proposition – that the mere existence of trademarks is enough to support a validity challenge – reflects the most dangerous expansion of Article III jurisdiction suggested by *Already* and its amici.<sup>5</sup> The vague and amorphous implication that such an exercise of jurisdiction must be limited to actions that serve “competition” and “industry” interests (Pet. Br. at 21; Law Prof. Br. at 3) admits to far more likely mischief than potential benefit. Many competitors are interested in seeing their rivals struggle or incur unforeseen costs. Unchecked, competitively motivated validity litigation<sup>6</sup>

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to petitioners, based on the mere ‘speculative contingenc[y]’ that respondents will assert new federal claims for equitable relief against the same [defendants] cannot be said to be ‘sufficiently real and immediate to show an existing controversy.’”) (citations omitted). Here, *Already* enjoys the additional safeguards afforded by the covenant not to sue. With this said, if the Court were inclined to find a basis for Article III jurisdiction for *Already*’s invalidity claims, these amici urge that the Court do so by reevaluating the principles of *Deakins* and the scope of the covenant not to sue, rather than by adopting the broad alternative argued by *Already* and its amici – that all competitors or the public at large have standing to assert invalidity claims.

5. See *Matthews International Corp. v. Biosafe Engineering, LLC*, Fed. Cir. No. 2012-1044, 2012 U.S. App. LEXIS 20137 at \*15 (Fed. Cir. Sept. 25, 2012) (“*MedImmune* does not change our long-standing rule that the existence of a patent is not sufficient to establish declaratory judgment jurisdiction.”) (quoting *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1338 (Fed. Cir. 2008)).

6. There is some safety net against such litigation abuse, but it depends on showing that there has been “sham” litigation

is much more likely to suppress the marketplace than any use Nike might make of an invalid trademark. Nike, and the amici here, participate in highly fragmented and competitive markets. The prospect that every industry participant will become armed with federal court validity challenges against every other is frightening indeed.

Already's rationale also vastly overstates the benefit to striking invalid trademarks. As Professor Areeda has noted, there is nothing anticompetitive about trademarks:

A trademark is even less potent than a copyright in bringing its owner market power. It protects nothing more than one's name, allowing rivals to copy every detail of a rival's business (short of passing oneself off as another). While a [trademark holder] might dominate a market because of the reputation enjoyed by its name, nothing prevents rivals from offering equivalent products and establishing a matching reputation.

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that creates a competitive harm. *See, e.g., California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 509, 516 (1972) ("concerted action by petitioners to institute state and federal proceedings to resist and defeat applications by respondents to acquire operating rights or to transfer or register those rights," where petitioners proceeded regardless of the merits of those cases, constituted the sort of "sham" litigation abuse that is subject to antitrust protection). This stands in sharp contrast with the elaborate administrative safeguards that are available to eliminate invalid trademarks, or any abuse that arises from their enforcement.

PHILLIP E. AREEDA, HERBERT HOVENKAMP & EINER ELHAUGE, ANTITRUST LAW § 1737e (1996).

This Court has considered and rejected a general “public interest” rationale for Article III jurisdiction, even when it is far more limited than Already has proposed. The Court steadfastly has preserved the requirement that a plaintiff must be threatened with a genuine injury in which it has a personal stake. The injury may not be remote or contingent, and it must be personal and premised on more than a belief that the public at large will be better for the outcome. The Court’s decision in *Lujan v. Defenders of Wildlife*, 504 U.S. 555 (1992), definitively determined that Article III courts may not entertain actions where a plaintiff seeks relief that benefits the public good when the plaintiff has not suffered or is not in danger of suffering individual, particularized harm. The Court stated,

We have consistently held that a plaintiff raising only a generally available grievance about government – claiming only harm to his and every citizen’s interest in proper application of the Constitution and laws, and seeking relief that no more directly and tangibly benefits him than it does the public at large – does not state an Article III case or controversy.

*Id.* at 573-74; see generally *id.* at 574-76 and cases cited therein. While the Court was addressing lawsuits where a citizen or taxpayer challenged government action, the same principle applies with equal force where a plaintiff such as Already purports to bring an action to invalidate a trademark that supposedly was improvidently registered by the U.S. Patent and Trademark Office. Already suffers no individual injury different from any other manufacturer or seller of athletic footwear. In fact, as discussed above,

the hypothetical threat of injury to Already is actually less than for other participants in the athletic footwear market because of the covenant not to sue that Nike has granted to Already.

Already and its amici never address these concerns or reconcile the breadth of their proposed jurisdictional rule with these principles. On the record before the Court – whether or not Already has been effectively immunized from the effects of Nike’s supposedly invalid trademarks – there is no basis for altering the Court’s longstanding approach to the requirements for Article III jurisdiction.

## **II. ALREADY IGNORES THE REAL WORLD COSTS TO DEVELOPING INTELLECTUAL PROPERTY AND THE TRUE RISKS THAT INTELLECTUAL PROPERTY WILL BE SUPPRESSED BY AFFORDING COMPETITORS ACCESS TO THE COURTS FOR PURPOSES OF POLICING “INVALID” TRADEMARKS**

Already’s main argument rests on a fanciful, if naïve, view of how a party such as Nike comes by trademarks and trademark registrations like those asserted in these proceedings. It and its amici suggest that, for a small fee, a party will receive rubber-stamped registrations that, due to the insufficiencies of the PTO, quite likely are invalid and serve only anticompetitive purposes. Pet. Br. at 43; *see also* PubPat Br. at 6.

The reality is quite different. To turn product designs into trademarks requires a brand owner to make substantial and sustained investments in distinctive designs that, through marketing and sales, become associated by the public with that producer. At many stages of the process, from development to registration to

enforcement in the marketplace, there are opportunities for these efforts to be derailed or “invalidated.” If, in addition to these hurdles, a brand owner must face expensive, serial litigation to validate its rights, it may well lose interest in the effort altogether.

#### **A. The Costs of Acquiring Trademark Rights in a Product Design Are Substantial**

There is no question that Nike’s trademark involves registrable trade dress, provided the requirements for a mark are met. Although this Court has held that a product design is not inherently distinctive for trademark purposes, it left no question that distinctive product designs could acquire trademark significance. *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 212 (2000). Such a mark, accordingly, requires development of “secondary meaning” in the minds of consumers. This occurs “when, ‘in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.’” *Id.* at 211 (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851 n.11 (1982)); see *In re Ennco Display Systems, Inc.*, 56 U.S.P.Q.2d (BNA) 1279 (TTAB 2000) (“Although the *Samara* case involved an unregistered product design in the context of an infringement action under Section 43(a), the Court’s holding is applicable to the registration of product designs under Section 2 of the Trademark Act.”).<sup>7</sup>

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7. Since the *Wal-Mart* decision, courts have acknowledged and enforced product configuration trade dress, subject to the requirement that the owner demonstrate secondary meaning. See, e.g., *General Motors Corp. v. Lanard Toys, Inc.*, 468 F.3d 405, 420 (6th Cir. 2006), *cert. denied*, 552 U.S. 819 (2007) (General Motors’ Hummer trade dress had acquired secondary meaning).

An application to register a product design will be refused unless the applicant “provides sufficient evidence to show that the mark has acquired distinctiveness.” Trademark Manual of Examining Procedure (“TMEP”) § 1202.02(b)(i) (8th ed., Oct. 2011). If initially refused, a trademark may be placed on the Supplemental Register until such time as secondary meaning is established.<sup>8</sup> “If the applicant qualifies for registration on the Supplemental Register, he may thereafter apply to register the mark on the Principal Register, and perhaps rely on the five-year presumption on secondary meaning.” *Park ‘n Fly Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 212 n.13 (1985) (quoting J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 19.7 (2d ed. 1984)). In the case of product design, however, a simple declaration that the mark has been in use for five years is not sufficient to establish secondary meaning and allow registration of the mark. TMEP § 1202.02(b)(i).

The burden and expense of creating and registering a product design trademark accordingly are significant. *See id.* (“Applicants face a heavy burden in establishing distinctiveness in an application to register trade dress.”). The applicant must show either direct evidence such as a consumer survey, or circumstantial evidence such as long use, extensive sales and advertising, “and any similar evidence showing wide exposure of the mark to consumers.” *In re Ennco, supra*. Development of this evidence requires a continuous commitment to a

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8. The Supplemental Register includes marks that are “capable of distinguishing applicant’s goods or services” but are not registrable for a variety of reasons, including absence of secondary meaning. 15 U.S.C. § 1091.

particular product configuration, marketing of the design to consumers and advertising an association between the trade dress and its owner, for a sufficient period of time that the message is retained by consumers facing an enormous variety of choices. Even when those investments are made, the application and registration process may be unsuccessful. *See, e.g., In re Howard Leight Industries, LLC*, 80 U.S.P.Q.2d (BNA) 1507 (TTAB 2006) (refusing registration of product design despite 15 years of continuous and substantially exclusive use of mark); *Goodyear Tire & Rubber Co. v. Interco Tire Corp.*, 49 U.S.P.Q.2d (BNA) 328 (TTAB 1998) (refusing registration of product design despite \$56 million in sales revenue).

If the application passes muster with the PTO Examiner, it is still subject to opposition by “[a]ny person who believes that he would be damaged by the registration of a mark upon the principal register.” 15 U.S.C. § 1063(a). The “case or controversy” requirement does not apply to administrative proceedings such as oppositions before the TTAB; rather, the standing requirement is statutory. “Section 13 of the Lanham Act establishes a broad class of persons who are proper opposers; by its terms the statute only requires that a person have a belief that he would suffer some kind of damage if the mark is registered,” subject to the judicial requirements that the opposer have a “legitimate personal interest in the opposition” and a “reasonable” belief of damage. *Ritchie v. Simpson*, 170 F.3d 1092, 1095 (Fed. Cir. 1999). Thus, a more relaxed standard for standing to oppose registration exists in the TTAB than is required by Article III.<sup>9</sup>

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9. An opposition can be based on “any available statutory ground . . . that negates the defendant’s right to registration.” Trademark Trial and Appeal Board Manual of Procedure (“TBMP”) § 309.03(c) (3d ed. rev. 1, June 2012).

Even after the mark is registered, the registration is subject to a petition to cancel, which again can be filed by “any person who believes that he is or will be damaged” by the registration. 15 U.S.C. § 1064. Although the registration confers a statutory presumption of validity (15 U.S.C. § 1115(a)), that presumption can be rebutted for the first five years after the date of registration, and the petition to cancel thus can be based on any available statutory ground. Trademark Trial and Appeal Board Manual of Procedure (“TBMP”) § 309.03(c) (3d ed. rev. 1, June 2012). Beyond five years, the mark becomes incontestable – but nevertheless, the Lanham Act permits a plaintiff to petition to cancel the registration on a number of specified grounds, including for example genericness, functionality, and abandonment. 15 U.S.C. §§ 1064(3), 1065. Thus, the administrative framework already provides ample opportunities for legitimate challenges to the validity of a trademark.<sup>10</sup>

### **B. Already’s Proposed Standard Raises the Specter of Unlimited, and Costly, Challenges to Validity**

If Already’s approach to Article III were adopted, a brand owner like Nike – even after traversing all of the procedures necessary to acquire rights in a trademark or trade dress – would then face the prospect

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10. This carefully crafted administrative scheme is entirely subverted if, as Already would have it, the federal judiciary is invited, through the device of declaratory judgments, to preempt the PTO with abstract validity determinations. *See* 15 U.S.C. § 1119 (requiring an “action involving a registered mark” before courts are empowered to cancel registrations or rectify the register). There is no point to Congress’s allocation of jurisdiction in this manner if challengers can ignore the limitations by re-framing their attacks on trademarks as declaratory relief claims.

of indiscriminate validity litigation from its competitors. Nike owns close to 300 U.S. trademark registrations; it competes in a large, global apparel and footwear industry and faces innumerable competitors, many of whom have large trademark portfolios of their own. The magnitude of potential validity litigation – all in the absence of a claimant with a concrete personal stake – would be enormous.

There is no basis for presuming that such validity litigation will be limited to lawsuits intended to weed out “scarecrow” trademarks. Every industry participant will have a license to sue, at any time, to attack important, competitive intellectual property. Competitors would be able, at a whim, to increase their rival’s costs of doing business and maintaining their proprietary marks. The vastly expanded field of challengers would be able to assert every conceivable non-frivolous argument or theory supporting invalidity. Even a successful defense of a trademark’s validity would have limited value, as that victory would have no collateral estoppel effect against another competitor who subsequently might seek invalidation on the same grounds. See *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 329 (1971) (“Some litigants – those who never appeared in a prior action – may not be collaterally estopped without litigating the issue. . . . Due process prohibits estopping them despite one or more existing adjudications of the identical issue which stand squarely against their position.”); see also *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 327 n.7 (1979) (“It is a violation of due process for a judgment to be binding on a litigant who was not a party or a privy and therefore has never had an opportunity to be heard.”) (citation omitted).

Defending against a barrage of court challenges to validity would add substantially to the already considerable expense of maintaining trademarks. The parties that would be most vulnerable in the ensuing crossfire would be small or midsize businesses. New entrants or innovators who pose a commercial threat to larger incumbents would become particularly likely targets for “invalidity” attacks. The costs to such firms of creating and sustaining their intellectual property might threaten their very existence or, at a minimum, produce settlements with distortive and irrational encumbrances on their intellectual property.<sup>11</sup>

The consequence to *Already*’s rule, of course, would include a substantially increased burden on the federal courts’ dockets. But just as importantly, the courts’ new caseload would not, as *Already* argues, promote the development of new and competitive intellectual property. Instead, it would discourage entrepreneurs, businesses, and other commercial enterprises from investing in and creating intellectual property in the first place. The diminished value and considerably increased expense would inhibit the creation and nurturing of novel and distinguishing marks and would discourage the investment necessary to build valuable brands. These are direct, foreseeable and likely harms from *Already*’s

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11. *Already* and its amici, without analysis, suggest that the Court’s ruling should apply to permit invalidity challenges – by industry participants or the interested public – to patents as well. The manifold increase in litigation targets that this extension would afford is simply staggering. Not only would the entire range of a competitor’s patent portfolio be fair game, but also within each patent, individual claims, often tens or hundreds, could be the object of litigation.

proposed standard for Article III jurisdiction, not the speculative injury that Already supposes will arise from the presence of invalid trademarks.

### **III. FOR A MARK TO HAVE SIGNIFICANT COMMERCIAL IMPACT, IT MUST BE ENFORCED, AFFORDING AMPLE OPPORTUNITY FOR VALIDITY CHALLENGES FROM GENUINELY INTERESTED PARTIES**

Despite the administrative safeguards that already exist, Already urges that Article III must be expanded so that federal courts are able “to hear legitimate challenges to the validity of claimed trademarks and to the legality of PTO registration decisions.” Pet. Br. at 41. Already reasons that competitors – even in the absence of enforcement – will forsake arguable infringements unless they first can invalidate a known mark (in court, rather than the PTO which already is available to address challenges to registrations). Already and its supporters plunder the case law for vivid analogies of the need to “clear the field” before “building a barn” and other similar imagery. *E.g.*, Law Prof. Br. at 3. However valid this point may be in the barn-building context, there is no empirical support for the idea that the market avoids competitive product designs or trade dress, or that there will not be opportunities for competitors to attack potentially invalid trademark registrations or unregistered trademarks.

It is no secret to this Court that the market generally responds quite fiercely to popular designs and brands. *See Wal-Mart*, 529 U.S. at 207-08 (Wal-Mart asked its supplier to copy Samara’s product). Even the most famous and

venerated trademarks are routinely pirated and knocked off. Already is speculating or – in the experience of most trademark owners – engaging in sheer fantasy when it imagines that the marketplace is suffering because competitors are steering clear of claimed, but invalid, marks or trade dress.

When facing the commercial onslaught that typically greets any popular trade dress, a trademark owner must enforce its rights or – as Nike points out – they will wither. Brief of Respondent (“Resp. Br.”) at 14. To maintain viable trademarks, there must be regular enforcement or a mark will become inconsequential and of limited scope, even if it is not abandoned. *See* J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 17:8 (4<sup>th</sup> ed. 2012) (“Sometimes a mark becomes abandoned to generic usage as a result of the trademark owner’s failure to police the mark.”); Michael S. Mireles, Jr., *Towards Recognizing and Reconciling the Multiplicity of Values and Interests in Trademark Law*, 44 IND. L. REV. 427, 473 (2011) (“Trademark owners who fail to police their marks take great risks with the value of their marks under trademark law.”). In this sense, enforcement of the marks has a formative impact on the scope of the rights, and the commercial impact of an unenforced trademark is likely to be reduced.<sup>12</sup>

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12. Provision of a discoverable, non-confidential covenant not to sue such as Nike granted to Already may be used in subsequent litigation against the trademark owner. Such a covenant, accordingly, is not likely to be issued lightly and only in the kind of legitimate circumstances identified by Nike, and is not subject to the kind of abuse that Already and its amici imagine.

No one questions that competitors and the public have an interest in permitting genuinely interested parties to test the *bona fides* of a trademark. The point here is that there will be ample opportunity within the confines of traditional understandings of Article III jurisdiction to make sure this happens in the course of routine and inevitable trademark enforcement litigation. A mark that is not tested in this way will have limited commercial impact. Already's premise – that “scarecrow” marks may be sustained by non-enforcement (to avoid jurisdiction) or manipulative covenants not to sue – simply does not reflect commercial reality.

#### **IV. ALREADY'S CLAIMS WILL NOT VINDICATE THE PURPORTED PUBLIC INTEREST IN “CLEARING THE FIELD” OF INVALID TRADEMARKS**

Already's assertion that the harm to be redressed consists of “invalid” trademark rights creates another Article III problem. The longstanding rule is that a case or controversy must be capable of a judgment that will have a meaningful and conclusive outcome. *Aetna Life Insurance Co. v. Haworth*, 300 U.S. 227, 240-41 (1937) (“The controversy must be . . . a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.”) (citations omitted); see *MedImmune*, 549 U.S. at 127 (same, citing *Aetna*). “The disagreement must not be nebulous or contingent but must have taken on fixed and final shape so that a court can see what legal issues it is deciding, what effect its decision will have on the adversaries, and some useful purpose to be achieved in deciding them.” *Public Service Commission v. Wycoff Co.*, 344 U.S. 237, 244 (1952).

For example, Already's principal invalidity challenge<sup>13</sup> (and the one that brand owners know is most routinely asserted against trademarks like Nike's mark) is that the proposed mark lacks secondary meaning. But this challenge is only meaningful in the presence of contemporaneous infringements. Secondary meaning is the product of consumer associations as tested by a number of relevant factors that change over time. A ruling that secondary meaning is absent (and a mark therefore "invalid" to challenge a pending competitive use) is only good until new consumer associations are formed. It is not possible, therefore, for Already or "industry participants" to "clear the field" on behalf of the public at large so that future use of the trade dress or mark has been pre-screened by the courts. The judgment Already wants to obtain will have no effect on which "industry participants" can safely rely, except as to contemporaneous infringements whose authors have their own right to challenge invalidity.<sup>14</sup>

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13. As Nike points out, the other invalidity claims are frivolous. Resp. Br. at 53 n.10.

14. Courts have recognized that the evidence of secondary meaning may change in a short period of time. See, e.g., *Metro Kane Imports, Ltd. v. Federated Department Stores Inc.*, 625 F. Supp. 313, 315 (S.D.N.Y. 1985), *aff'd mem.*, 800 F.2d 1128 (2d Cir. 1986) (noting that collateral estoppel will not apply where "secondary meaning can be acquired within a few months"). Collateral estoppel may apply to contemporaneous infringements or where a trademark owner fails to introduce any new evidence of secondary meaning. But it is, at most, a fluid analysis that, for the court's decision to have sufficient impact, requires a contemporaneous infringement that is at stake in the decision. Cf. *Matthews, supra*, 2012 U.S. App. LEXIS 20137 at \*16 ("[t]he greater the variability of the subject of a declaratory-judgment suit,... the greater the chance that the court's judgment will be purely advisory, detached from the eventual, actual content of that subject") (citation omitted).

This point illustrates the importance here of confining the Court's ruling to the particular facts presented. Already and its amici provide no rationale for their assumption that all types of trademark invalidity actions would be treated the same, and no justification at all for migrating into the law of patent invalidity and assuming that the Court's decision will have bearing there. These assumptions violate a cardinal rule for determining whether a "case or controversy" exists.

"The difference between an abstract question and a 'controversy' contemplated by the Declaratory Judgment Act is necessarily one of degree, and it would be difficult, if it would be possible, to fashion a precise test for determining in every case whether there is such a controversy. Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment."

*Golden v. Zwickler*, 394 U.S. 103, 117-118 (1969) (quoting *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

On the facts of this case, there are no grounds for reversal. Already's proposed invalidity claims have no consequential application to Already's interests or even to the identified public interest.

## CONCLUSION

For the reasons discussed above, the *amici curiae* respectfully urge this Court to affirm the holding of the Second Circuit Court of Appeals.

Respectfully submitted,

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**AMICUS  
CURIAE  
BRIEF**

In the  
Supreme Court of the United States

ALREADY, LLC d/b/a YUMS,  
*Petitioner,*

v.

NIKE, INC.,  
*Respondent.*

ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

BRIEF OF PUBLIC PATENT FOUNDATION  
AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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## INTEREST OF THE AMICUS CURIAE<sup>1</sup>

The Public Patent Foundation ("PUBPAT") is a not-for-profit legal services organization affiliated with the Benjamin N. Cardozo School of Law. PUBPAT's mission is to protect freedom in patent system. PUBPAT represents the public interest against undeserved patents and unsound patent policy. PUBPAT has argued for sound patent policy before this Court, various Courts of Appeals and District Courts, Congress, the U.S. Patent & Trademark Office (PTO), and many other national and international bodies. PUBPAT has also successfully challenged specific undeserved patents causing significant harm to the public through both Declaratory Judgment litigation and administrative proceedings. See, e.g., *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 132 S. Ct. 1794 (2012). PUBPAT is a leading provider of public service patent legal services and one of the loudest voices advocating for comprehensive patent reform.

PUBPAT has an interest in this matter because the decision of this Court will have a significant effect on the public interest represented by PUBPAT. More specifically, PUBPAT represents the public interest in ensuring that only valid patents remain in force. The interpretations of Article III jurisdiction by various Courts of Appeals, including

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<sup>1</sup> In accordance with Supreme Court Rule 37.6, *Amicus Curiae* states that: (1) no counsel to a party authored this brief, in whole or in part; and (2) no person or entity, other than amicus, their members and counsel have made a monetary contribution to the preparation or submission of this brief. Copies of consents from the parties to file this brief have been provided to the Clerk.

the Federal Circuit, which hears all appeals in patent cases, unduly limit review of invalid patents. Our patent system is flawed in its mass production of low-quality patents, and the Circuits' decisions to prevent parties whose activity is restrained by the owners of potentially invalid intellectual property from confronting the parties causing that harm are contrary to this Court's precedents.

PUBPAT believes this brief, authored by a registered patent attorney and professor of patent law, provides the Court with relevant legal and factual information that may not otherwise be brought to its attention. This is especially true since PUBPAT has particular experience with issues relating to patent quality and use of the Declaratory Judgment Act to challenge invalid patents causing significant public harm.

### SUMMARY OF ARGUMENT

Quality is the single most important issue in our intellectual property systems, because without it, they risk losing all credibility and the support of the American people. For example, we must, above all other goals, ensure only deserving patents are issued and maintained, otherwise the public will become rightfully skeptical of the merits of any patent and the patent system as a whole. Denying access to the courts to challenge undeserved intellectual property rights harms the public by shielding undeserved patents from scrutiny. The Court of Appeals' decision to offer safe harbor to a bogus trademark so that its owner could self-select when to assert it against the defendant, or others, in the future, betrays common sense, sound public policy, and, most importantly, the clear law of this Court.

## ARGUMENT

### **I. COURT CHALLENGES TO INTELLECTUAL PROPERTY ARE A NEEDED CHECK ON THE GOVERNMENT'S RUBBER STAMPING OF INVALID CLAIMS TO PUBLIC PROPERTY**

#### **A. Patent Quality In The United States Today Is Extremely Poor**

The current level of quality for U.S. patents is extremely poor. There are several independent sources, including the Patent Office's own data, that prove this to be true

For one, an ongoing project of the University of Houston Law School, known for having one of the most reputable patent departments in the country, tracks the results of patent litigation and empirically categorizes those results according to the specific issues involved with each case. Patstats, available at <http://www.patstats.org/>. Their data shows that approximately 30% of all issued patents reviewed by courts in recent years were found to have been identical to what was already in the prior art, meaning they contained no originality whatsoever. Further, another 40% of the remaining patents reviewed by courts were found to be merely obvious over the prior art. See Univ. of Houston Law Ctr. Inst. for Intellectual Prop. & Info. Law, Full Calendar Year 2010 Report, [http://www.patstats.org/2010\\_full\\_year.rev5.htm](http://www.patstats.org/2010_full_year.rev5.htm); Univ. of Houston Law Ctr. Inst. for Intellectual Prop. & Info. Law, Full Calendar Year 2011 Report, [http://www.patstats.org/2011\\_Full\\_Year\\_Report.htm](http://www.patstats.org/2011_Full_Year_Report.htm)  
1.

Although the cited Patstats data is limited to a only the very small portion of issued patents that are litigated to a judgment, litigated patents tend to have a much greater significance to the public, on average, than non-litigated patents. John R. Allison, Mark A. Lemley, Kimberly A. Moore & R. Derek Trunkey, *Valuable Patents*, 92 Georgetown Law Journal 435 (2004). The technology related to litigated patents is by definition valuable to a certain extent, as it at least merits the related cost of patent litigation, which prevents the litigation of worthless patents. Thus, any mistakes regarding the validity of litigated patents causes meaningful public harm by denying the public access to the covered technology during the period between the patent's wrongful issuance by the Patent Office and its invalidation by the courts.

The PTO's own statistics show that more than 90% of all the patents that it granted that it is later asked to review (through a procedure called reexamination) have at least one "substantial question of patentability." *Inter Partes Reexamination Filing Data - June 30, 2012*, USPTO, [http://www.uspto.gov/patents/stats/IP\\_quarterly\\_report\\_June\\_30\\_2012.pdf](http://www.uspto.gov/patents/stats/IP_quarterly_report_June_30_2012.pdf) ("*Inter Partes Report*") (94% of all requests for *inter partes* reexamination granted); *Ex Parte Reexamination Filing Data - June 30, 2012*, USPTO, [http://www.uspto.gov/patents/stats/EP\\_quarterly\\_report\\_June\\_30\\_2012.pdf](http://www.uspto.gov/patents/stats/EP_quarterly_report_June_30_2012.pdf) ("*Ex Parte Report*") (92% of all requests for *ex parte* reexamination granted); 35 U.S.C. § 312.

Looking deeper, the PTO's data shows that 89% of patents challenged through the *inter partes* reexamination process, which allows for ongoing participation by the challenger, are canceled or changed, while more than 78% of patents challenged through the *ex parte* reexamination process, which does not allow the challenger to participate after submitting the initial request, have their claims canceled or changed. *Inter Partes Report* (all claims canceled 42% of the time, claims changed 47% of the time); *Ex Parte Report* (all claims canceled 11% of the time, claims changed 67% of the time).

One way to confirm how grim the state of affairs is for U.S. patent quality is to compare our system's patent application outcomes to those of other well respected patent offices. Firstly, the USPTO ultimately grants patents from 78% of all original applications, while that rate is only 61% in Japan and 55% in the European Union. Cecil D. Quillen, Ogden D. Webster, and Richard Eichman, *Continuing Patent Applications and Performance at the U. S. Patent and Trademark Office-One More Time*, 18 Fed. Cir. B.J. 379 (2009) ([http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1429809](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1429809)).

An even better comparative picture is drawn by a study of roughly 70,000 issued U.S. patents and their corresponding foreign applications, which found that counterparts to patent applications issued in the U.S. were only issued by (i) the European Patent Office 72.5% of the time, (ii) the Japanese Patent Office only 44.5% of the time, and (iii) both the EPO and JPO only 37.7% of the time.

Paul H. Jensen, Alfons Palangkaraya & Elizabeth Webster, *Disharmony in International Patent Office Decisions*, 16 Fed. Cir. B.J. 679 (2006). This evidence shows that the U.S. Patent Office is indeed granting a very disproportionately high number of patents relative to the rest of the world.

In short, it is not unfair to accuse the U.S. Patent and Trademark Office of being a rubber stamp, approving virtually any private claim over intellectual property made to it, regardless of whether that intellectual property is in the public domain. The overarching cause of poor patent quality is not, however, incompetence at the USPTO, but rather perverse incentives on it and other actors within the patent system that reward the worsening of patent quality.

For example, the Patent Office receives ten times as much money from issuing a patent than it does from denying a patent. This is because the Patent Office charges an "Issuance Fee" to issue a patent after the application has been approved and then also "Maintenance Fees" every four years of a patent's life in order to keep it enforceable. See, e.g., United States Patent and Trademark Office Fee Schedule, <http://www.uspto.gov/about/offices/cfo/finance/fees.jsp> (effective September 26, 2011) (charging \$380 for basic filing fee, \$620 for search fee, and \$250 for examination fee, each of which are required to apply for a patent, but then \$1,740 for issue fee and \$1,130 for 3.5 years maintenance fee, \$2,850 for 7.5 years maintenance fee, and \$4,730 for 11.5 years maintenance fee). Thus, the USPTO is financially incentivized to grant rather than deny patents, as it is a fee-funded agency. Michael Frakes and Melissa

F. Wasserman, *Does Agency Funding Affect Decisionmaking?: An Empirical Assessment of the PTO's Granting Patterns*, 66 Vanderbilt L.R. 2013 (2012) (<http://ssrn.com/abstract=1986542>).

An arms race amongst patent holders encourages the acquisition of as many patents as possible, regardless of validity, to be used as threats against or bargaining chips with others. Even examiners themselves are encouraged to issue bad patent under the "count" quota system that measures their performance, because issuing a patent takes a simple signature, while denying a patent requires countless hours of writing to continue making and supporting rejections. *Recently Announced Changes to USPTO's Examiner Count System Go Into Effect*, USPTO (2010) ([http://www.uspto.gov/news/pr/2010/10\\_08.jsp](http://www.uspto.gov/news/pr/2010/10_08.jsp)) ("The revised count system that is now in effect is designed to: ... Encourage examiners to identify allowable subject matter earlier in the examination process."). In short, very few actors have any incentive to purge the patent system of the hundreds, if not thousands, of counterfeits issued by the Patent Office every week.

## **B. Undeserved Patents Cause Substantial Public Harm**

Patents that are undeserved can cause substantial harm to the American public, because an issued patent – regardless of its true legitimacy – can be used to threaten and impede otherwise permissible, socially desirable, conduct. The threat of having to incur the costs and potential liability of a patent lawsuit is one that few individuals or small businesses can withstand, even if the patent is of

doubtful validity. This chilling effect, when caused by a patent that would be ruled invalid if challenged, provides no social benefit to the American people, because the patent contains nothing new; its invalidity means that whatever it claims or describes was either already known or was obvious in light of what was already known. Thus, poor patent quality can be devastating to the American people.

For example, there have been several patents that were used to preclude competition in markets worth billions of dollars that were later proven to be undeserved. See, e.g., *Bristol-Myers Squibb Co. v. Ben Venue Labs., Inc.*, 246 F.3d 1368 (Fed. Cir. 2001) (patent preventing competition to \$1.6B per year cancer treatment, Taxol, proven invalid); *Eli Lilly & Co. v. Barr Labs.*, 251 F.3d 955 (Fed. Cir. 2001) (patent barring alternatives to \$2.9B per year antidepressant medication, Prozac, proven invalid). Poor patent quality is also partially to blame for the intensive increase in patent litigation, the dramatically higher cost of patent litigation, and the rapid rise of patent speculators – mostly contingency fee patent litigators – who are more than willing to assert questionable patents against large and small commercial actors for the opportunity to collect nuisance settlements or chance of reaping windfall judgments.

Further, the over-patenting that results from low patent quality leads to thickets of patents that choke first inventors with countless small improvement patents claimed by others. Patent inflation caused by granting too many people too many patents deprives those inventors who legitimately did invent wonderful new technology of

the credit they deserve because of all the other undeserved patents issued in the related field. This actually results in less incentive for the truest of innovators amongst us and instead encourages investments in making minor improvements to the inventions of others.

These are, unfortunately, but a few of the many harmful effects that poor patent quality is having on the American public today. Bad patents also thwart research, as there is no research exception to patent infringement outside the pharmaceutical clinical trial setting, and chill civil liberties, which increasingly rely on technology to be exercised. Some have estimated the cost to America of the grant of substandard patents to be over \$25 billion. T. Randolph Beard, *et al.*, *Quantifying the Cost of Substandard Patents: Some Preliminary Evidence*, 12 Yale J.L. & Tech. 240 (2010).

### **C. Court Challenges Can Alleviate The Harms Caused By Invalid Patents**

Given the low standard for obtaining intellectual property in our country, it is no wonder that patent and trademark owners seek to avoid any challenges made to the legitimacy of their claimed rights, even after they brandished those rights to restrict beneficial public activity, namely competition. It is in the owners' interest to preserve the apparent legitimacy of bogus patents and trademarks so that they can wave them around again when any other entity expresses competitive desire.

Courts can enable the public to quash this anti-competitive behavior by allowing full adjudication of a validity challenge to any intellectual property, especially IP held by a party that has accused the challenger or others of infringement, and despite whether the IP owner has covenanted not to sue the challenger in the future. Such challenges will help purge meritless intellectual property and discourage owners of such bogus IP from asserting it in the first place. The Court's precedents adopt such a sensible standard.

## II. THE GOVERNMENT'S ISSUANCE OF A PATENT OR REGISTRATION OF A TRADEMARK IS SUFFICIENT TO CONFER STANDING ON THE PUBLIC TO CHALLENGE THOSE ACTS

Like statutes, patent issuance and trademark registration are aggressive government acts that restrain public activity. What's worse, is that unlike with statutes where opponents have an opportunity to speak to their elected officials before the statute becomes law, Issued patents and registered trademarks take away the rights of Americans without giving them any meaningful opportunity whatsoever to object. For example, third parties have generally been barred from in any way submitting objection to the patent office before it issues a patent.

The Court has repeatedly found a justiciable Article III case or controversy where parties challenged criminal statutes before they were ever enforced at all, much less against the challenging party. See *Holder v. Humanitarian Law Project*, 130 S. Ct. 2705, 2717 (2010) (citing *Medimmune, Inc. v.*

*Genentech, Inc.*, 549 U.S. 118 (2007) in finding that plaintiffs faced a credible threat of prosecution and should not be required to await and undergo a criminal prosecution as the sole means of seeking relief); *Virginia v. Am. Booksellers Ass'n*, 484 U.S. 383, 392 (1988) (holding that plaintiffs had standing to challenge a statute that posed an alleged danger of self-censorship even though the Court had no reason to assume the law would be enforced); *Doe v. Bolton*, 410 U.S. 179, 188 (1973) (finding that physicians had standing to challenge an abortion statute despite the absence from the record of evidence that any of them had been threatened with prosecution because the statute operated against the physicians in qualifying events).

These findings demonstrate that a government act of issuing a statute can create a justiciable controversy even when the statute's enforcement is not imminent or even expected. Similarly, the government's issuance of a patent or registration of a trademark also can restrain desirable public activity and, thus, the public deserves the right to challenge the validity of those government acts in court. This is true even of parties who are not currently threatened with infringement accusations.

CONCLUSION

For the foregoing reasons, this Court should reverse the Court of Appeals decision below and hold that the public has standing to challenge the validity of any issued patent or registered trademark in court.

Respectfully submitted,

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